

R13M00
Morgan State University

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$48,188	\$48,860	\$51,321	\$2,461	5.0%
Other Unrestricted Funds	61,952	73,885	74,396	511	0.7%
Total Unrestricted Funds	110,140	122,745	125,717	2,972	2.4%
Restricted Funds	<u>35,283</u>	<u>40,738</u>	<u>45,265</u>	<u>4,527</u>	<u>11.1%</u>
Total Funds	\$145,423	\$163,483	\$170,982	\$7,499	4.6%
Contingent & Back of Bill Reductions					
Adjusted Total	\$145,423	\$163,483	\$170,982	\$7,499	4.6%

- General funds increase by \$2.5 million, or 5% over fiscal 2005.
- Other unrestricted funds grow mostly from a tuition and fee revenue increase of \$2.4 million, which is 5.7% above the fiscal 2005 level.

Personnel Data

	FY 04	FY 05	FY 06	FY 05-06
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	951.00	985.00	985.00	0.00
Contractual FTEs	<u>486.00</u>	<u>489.00</u>	<u>533.00</u>	<u>44.00</u>
Total Personnel	1,437.00	1,474.00	1,518.00	44.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	41.96	4.26%
Positions Vacant as of 12/31/04	64.00	6.50%

- Regular positions are unchanged in the allowance.
- There are 44 more contractual positions in fiscal 2006 than fiscal 2005.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Trends in Rates Fluctuate: Trends in the number of applications from Baltimore City high schools and the enrollment of high ability students have been fluctuating since fiscal 2003, a trend that is expected to continue in fiscal 2005 and 2006.

Degrees Awarded in Critical Areas Remain Steady: The number of degrees awarded in critical areas increased in fiscal 2004 and is expected to remain steady in fiscal 2005 and 2006.

Issues

Several Repeat Findings in Recent Legislative Audit: The Office of Legislative Audits (OLA) performed an audit of Morgan State University (MSU) for the period beginning March 2, 2001, and ending October 31, 2003. There were 14 findings reported in the audit of which six were repeated in full or part from the preceding audit report.

Affordability in Spotlight at MSU and the University System of Maryland: Tuition rates at MSU increase 7.0%. MSU institutional aid focuses more on mission- and merit-based aid than need-based aid.

Selected Executive and Mid-level Administrative Salaries Tend to Be Above the Median: Salaries for four of the five executive level positions and both of the mid-level administrative positions are above the median.

Personnel Changes: There are 44 more contractual positions in fiscal 2005. In the allowance, regular positions increase by 3.6% and contractual positions increase by 9.7% over fiscal 2004.

Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds: Fund balance has increased from \$5.9 million in fiscal 1999 to \$6.5 million in fiscal 2004. Since fiscal 2001, MSU has used between 10.8% and 11.4% of current unrestricted funds on operations and plant maintenance.

Recommended Actions

1. Concur with Governor's allowance.

R13M00
Morgan State University

Operating Budget Analysis

Program Description

Morgan State University (MSU) is Maryland's public urban university. The university offers a comprehensive set of academic programs that are important to metropolitan Baltimore and fields where there is an under-representation of minority students. In addition to programs in arts and humanities, the university places special emphasis on engineering and the sciences, business, education, architecture, and transportation.

MSU educates a wide variety of students, including those who are among the best prepared, as well as those who might not obtain a baccalaureate degree without the extra support of the university. MSU's short-term goals are to increase the diversity of the student body, increase the number of applicants from Baltimore City high schools, and to establish Morgan as one of the nation's premier moderately sized urban doctoral-granting universities.

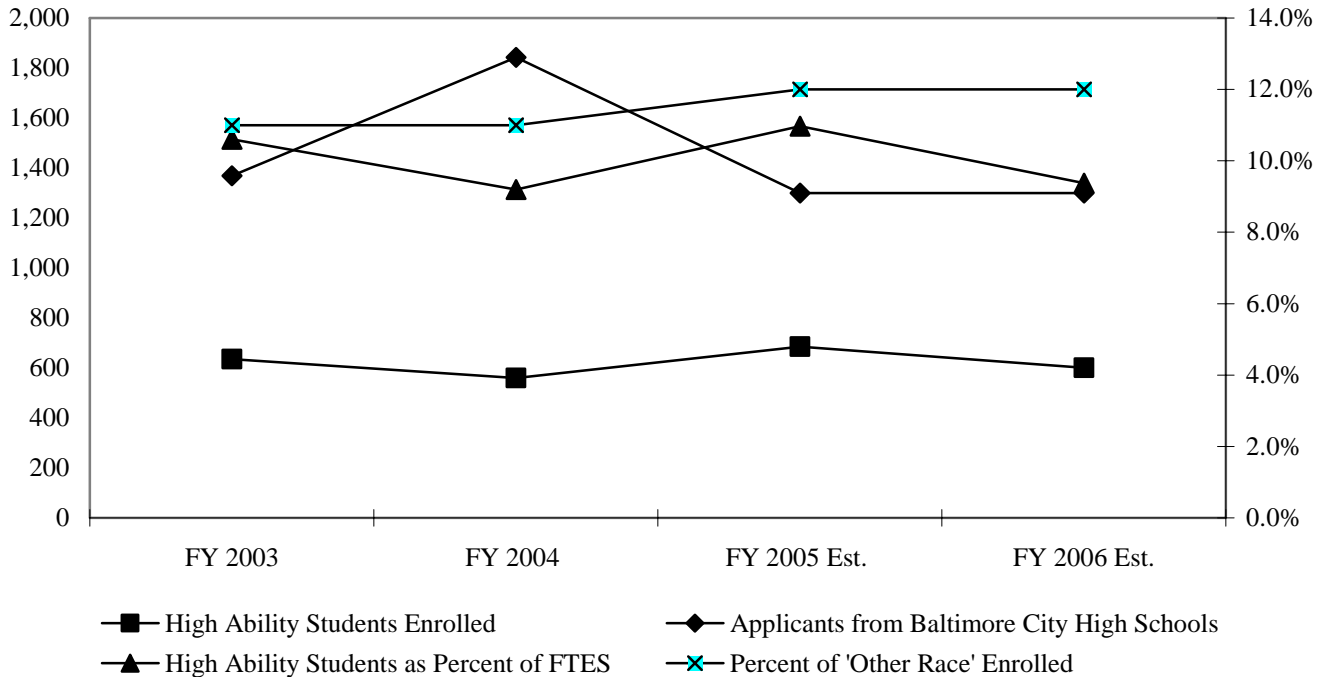
Performance Analysis: Managing for Results

As Maryland's public urban university, MSU seeks to serve the needs of the surrounding Baltimore community and to enhance the opportunities available to African American students both in continuing education and in fields where African Americans are historically underrepresented.

MSU hopes to enroll increasing numbers of "high ability" students, those students with a combined Scholastic Aptitude Test score over 1,100. MSU targets high school graduates from Baltimore City schools and hopes to increase the diversity of its student body by increasing the percent of other racial/minority students as well as white students.

Exhibit 1 shows the trends in applications and enrollment for applicants from Baltimore City and the percentages of high ability and other race students enrolled at MSU from fiscal 2003 through 2006 estimated.

Exhibit 1
Trends in Applications and Enrollments
Fiscal 2003 – 2006 Estimate



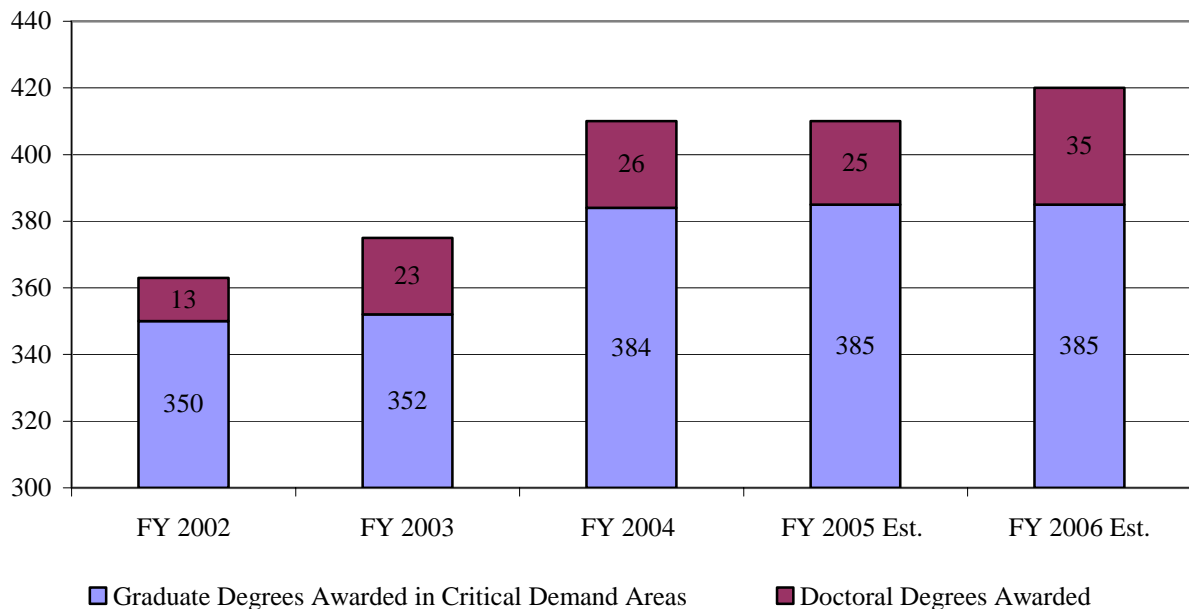
Source: Morgan State University

As the exhibit shows, there has been some fluctuation within each of these categories. The number of applicants from Baltimore City shows significant changes during this period – increasing by 473 applications in fiscal 2004 and then decreasing by 542 in the estimates for fiscal 2005 and 2006. This measure does not show how many of these students are admitted or their retention/graduation success rates.

The number of high ability students enrolled decreased by 75 students in fiscal 2004, but estimates for fiscal 2005 and 2006 project a significant increase and subsequent decrease. The trend in the percentage of these students as a percent of full-time equivalent students (FTES) is consistent with the enrollment data. The percentage of other race enrollments shows the least amount of change. There was no growth from fiscal 2003 to 2004, and the increase expected in 2005 is projected to stay the same in 2006. **The President should comment of the large changes in the number of Baltimore City applications. The President should also comment on how many of these applicants are admitted and whether their continuing education is successful.**

MSU has actively expanded its doctoral degree programs, particularly in engineering. **Exhibit 2** shows the number of doctoral degrees awarded in each year since fiscal 2003 and the number of other degrees awarded in critical demand areas of the workforce. Critical demand areas include physics, biology, chemistry, medical technology, computer sciences, information systems, education, and public health. MSU does not track whether these degree recipients work in their fields in Maryland. As the exhibit shows, the number of doctoral degrees awarded is expected to decrease slightly in fiscal 2005, and then increase by 10 in fiscal 2006. The number of undergraduate and masters degrees in critical areas is expected to increase by one in fiscal 2005 and remain the same in fiscal 2006. **The President should provide data on the number graduating in each of the critical fields. The President should also discuss why the degrees awarded in critical areas are not increasing significantly over fiscal 2004.**

Exhibit 2
Doctoral Degrees Awarded and Other Degrees Awarded in Critical Areas
Fiscal 2002 – 2006 Estimates

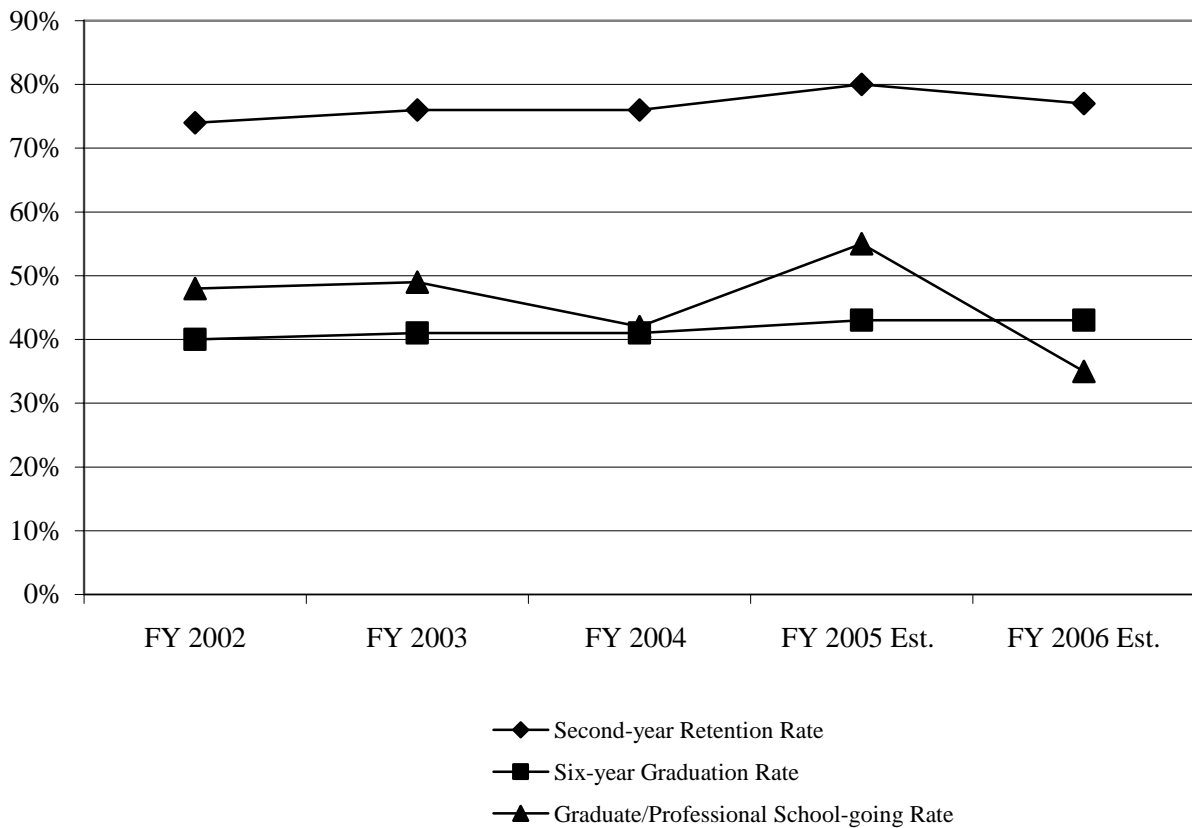


Source: Morgan State University

Exhibit 3 compares the trends in second-year retention and six-year graduation rates, as well as the graduate/profession school-going rate. Second-year retention rates are expected to climb in fiscal 2005, and then decrease slightly in fiscal 2006. There was no change in the six-year graduation rate between fiscal 2003 and 2004. The rate is expected to increase by two percentage points in fiscal 2005 and remain level in fiscal 2006. The graduate/professional school-going rate is expected to increase in fiscal 2005 by 13 percentage points, and then decline in fiscal 2006 by 20 percentage points. **The President should discuss the impact of the Access and Success funds on the**

retention and graduation rates of MSU students. The President should also comment on the wide variation in the graduate/professional school-going rate estimated for fiscal 2005 and 2006.

Exhibit 3
Retention, Graduation, and Graduate/Professional School-going Rates
Fiscal 2002 – 2006 Estimates



Source: Morgan State University

Governor's Proposed Budget

The general fund allowance for fiscal 2006 is \$51.3 million. This is \$2.5 million above the 2005 level, an increase of 5.0%, as shown in **Exhibit 4**. The additional general funds will support increases in mandatory costs such as salary, retirement, workers' compensation, and facilities maintenance.

Exhibit 4
Governor’s Proposed Budget
Morgan State University
(\$ in Thousands)

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>\$Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$48,188	\$48,860	\$51,321	\$2,461	5.0%
Other Unrestricted Funds	61,952	73,885	74,396	511	0.7%
Total Unrestricted Funds	110,140	122,745	125,717	2,972	2.4%
Restricted Funds	35,283	40,738	45,265	4,527	11.1%
Total Funds	\$145,423	\$163,483	\$170,982	\$7,499	4.6%

Note: Numbers may not sum to total due to rounding.

Other unrestricted funds in the allowance grow mostly from a tuition and fee revenue increase of \$2.4 million, which is 5.7% above the fiscal 2005 level. Overall, MSU’s budget increases by \$7.5 million.

Unrestricted budget changes are shown in **Exhibit 5**. Student services and institutional support both decreased by less than 10% between fiscal 2002 and 2005. During the same period, research (42%), instruction (10.1%), and auxiliary enterprise (10.3%) expenditures increased by more than 10%. In fiscal 2006, expenditures in auxiliary enterprises and research are the only two program areas reduced. Auxiliary enterprises declines primarily due to a reduction in fixed costs related to debt service for bond repayment and a reduction of rent for off-campus housing.

Tuition and fee revenues increased by \$7.9 million, or 23% between fiscal 2002 and 2005. Simultaneously, general fund support declined by \$3.2 million, or 6.1%. General fund support has increased, however, by \$2.5 million, or 5% in the fiscal 2006 allowance. Revenue from auxiliary enterprises is decreasing by \$2.7 million, or 9.4% in fiscal 2006.

As part of the State’s agreement with the U.S. Department of Education’s Office for Civil Rights (OCR), MSU receives \$3.5 million in funds specific to historically black institutions (HBIs) in the fiscal 2006 allowance. **The President should comment on how the HBI-specific enhancement funds have been and will be utilized in accordance with the OCR agreement.**

Exhibit 5
Morgan State University
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2002, 2004, and 2005
(\$ in Thousands)

	<u>FY 2002</u>	<u>FY 2005</u> <u>Working</u>	<u>FY 02-05</u> <u>% Change</u>	<u>FY 2006</u> <u>Allowance</u>	<u>FY 05-06</u> <u>\$ Change</u>	<u>FY 05-06</u> <u>% Change</u>
Expenditures						
Instruction	\$33,542	\$36,933	10.1%	38,002	\$1,069	2.9%
Research	1,023	1,454	42.1%	1,370	-84	-5.8%
Public Service	144	148	2.8%	159	11	7.4%
Academic Support	9,149	9,615	5.1%	10,283	668	6.9%
Student Services	5,148	4,939	-4.1%	5,137	198	4.0%
Institutional Support	20,325	18,396	-9.5%	20,141	1,745	9.5%
Operation and Maintenance of Plant	12,212	12,786	4.7%	13,591	805	6.3%
Scholarships and Fellowships	12,300	12,991	5.6%	13,744	753	5.8%
Subtotal Education and General	\$93,843	\$97,262	3.6%	102,427	\$5,165	5.3%
Auxiliary Enterprises	23,112	25,484	10.3%	23,291	-2,193	-8.6%
Total	116,955	122,746	5.0%	125,718	2,972	2.4%
Funds Specific to HBIs*	1,125	3,464	207.9%	3,464	0	0%
Adjusted Total	\$118,080	\$126,210	6.9%	129,182	\$2,972	2.4%
Revenues						
Tuition and Fees	33,980	41,885	23.3%	44,261	2,376	5.7%
General Funds	52,035	48,860	-6.1%	51,321	2,461	5.0%
Other	4,290	4,211	-1.8%	4,486	275	6.5%
Subtotal	\$90,305	\$94,956	5.2%	100,068	\$5,112	5.4%
Auxiliary Enterprises	26,651	28,315	6.2%	25,650	-2,665	-9.4%
Transfers (to) from Fund Balance	1,730	-525	-130.3%	0	525	-100.0%
Total	\$118,686	\$122,746	3.4%	125,718	\$2,972	2.4%
Funds Specific to HBIs*	1,125	3,464	207.9%	3,464	0	0%
Adjusted Total	\$119,811	\$126,210	5.3%	129,182	\$2,972	2.4%

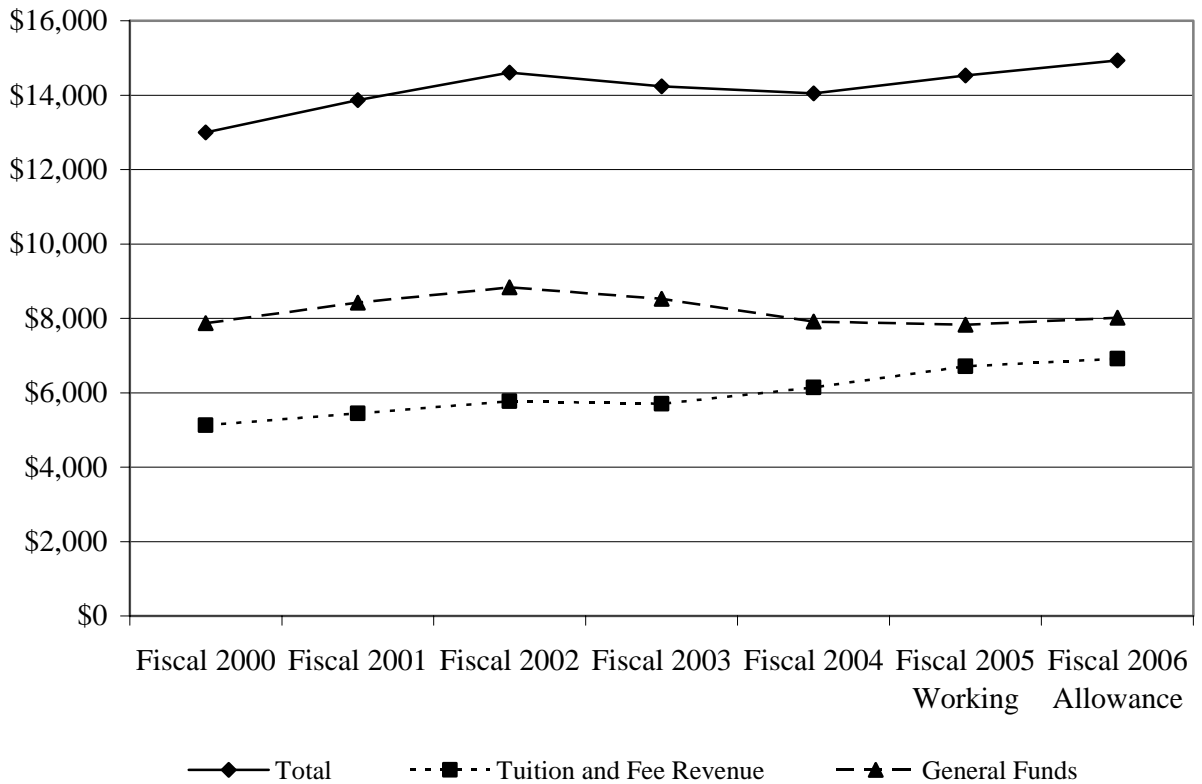
*Funds for Access/Success program and HBI enhancement funds.

Source: Governor's Budget Books, Fiscal 2004 and 2006

Tuition and Fee and General Fund Revenues

Exhibit 6 shows tuition and fee and general fund revenues per full-time equivalent student (FTES) from fiscal 2000 through 2006. Together, these two revenue sources comprise 76% of the university’s operating revenues. Similar to other HBIs in Maryland, general fund support outpaces tuition and fee revenue, although the gap between the two has narrowed since fiscal 2002. In fiscal 2006, general fund revenue per FTES grows by 2.5% over fiscal 2005, while tuition and fee revenue per FTES increases by 3.1%.

**Exhibit 6
Tuition and Fee and General Fund Revenues per FTES**



Source: Governor’s Budget Books, Fiscal 2003 – 2006; Morgan State University

Issues

1. Several Repeat Findings in Recent Legislative Audit

The Office of Legislative Audits (OLA) performed an audit of MSU for the period beginning March 2, 2001, and ending October 31, 2003. Their findings were published in November 2004. There were 14 findings reported in the audit, of which six were repeated in full or part from the preceding audit report.

The audit disclosed that contractual services totaling approximately \$439,000 were not competitively bid as required, and the related contract was not submitted to the Board of Public Works (BPW) for approval until after the related work had been completed. Other contractual services and contract modifications totaling approximately \$665,000 were never submitted to the BPW for approval, even though State regulations require such approval to be obtained.

The audit also disclosed that the university did not determine the proper disposition of grant balances for which the related grants had either expired or were otherwise closed out by the university. Such dispositions may include obtaining additional grant reimbursements or returning unused funds to grantors. Collectively, these balances included approximately \$1.1 million in deficits and approximately \$2.1 million in surpluses. In addition, the university did not establish adequate controls over corporate purchasing card transactions.

OLA noted internal control or recordkeeping deficiencies relating to student financial aid, collections, student accounts receivable, computer security, and equipment.

Please refer to **Appendix 2** for a brief description of OLA's audit findings.

The President of MSU should be prepared to brief the committees on the institution's response to the audit findings.

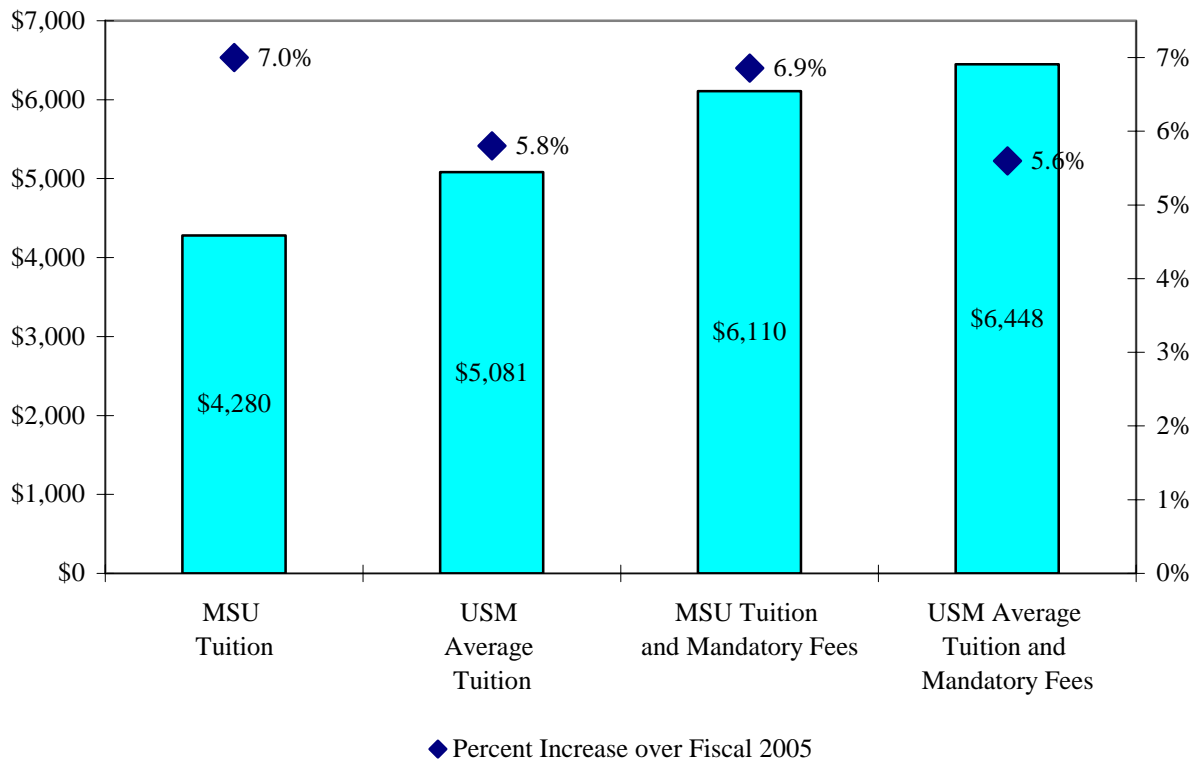
2. Affordability in Spotlight at MSU and Across the University System of Maryland (USM)

Affordability continues to be a concern for Maryland public education. In *Measuring Up 2004*, a national report card for higher education, Maryland's grade dropped from D- to F in the affordability category that measures whether students and families can afford to pay for a postsecondary education given income levels, financial aid, and the types of colleges and universities in the State.

Tuition and Fee Increases Less than USM Average

A factor that directly affects affordability is tuition and fee rates. For fiscal 2006, the USM weighted average tuition rate increases 5.8% as shown in **Exhibit 7**. By comparison, MSU’s tuition rate increases 7.0%. Considering tuition and mandatory fees combined, the USM weighted average increases 5.6%. MSU tuition and mandatory fees increase 6.9%.

Exhibit 7
Morgan State University
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2006



Note: USM averages are weighted.

Source: USM fiscal 2006 Board of Regents budget request; Morgan State University

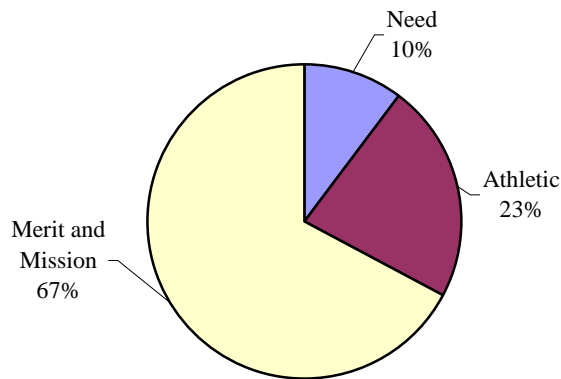
Institutional Aid Focuses on Non-need

Another factor that affects affordability is financial aid. Categories of institutional financial aid include merit, need, athletic, and mission. Data on funding amounts is available only in categories of need, athletic, and a combination of merit and mission.

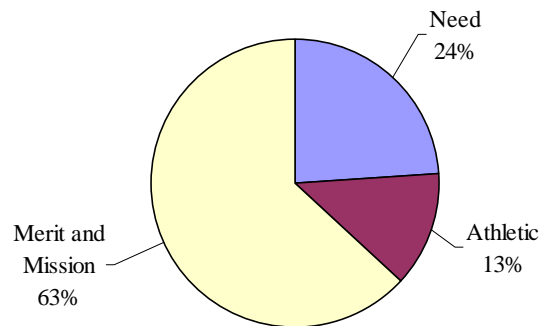
At MSU, nearly 67% of institutional aid is merit- and mission-based, 23% is athletic, and 10% is need-based as shown in **Exhibit 8**. Compared to the distribution of institutional aid of USM as a whole, MSU distributes a significantly smaller share of its institutional aid based on need. Institutional aid is one type of aid students may receive and may be accompanied by State and federal aid. **The President should comment on MSU’s distribution of aid and the school’s future financial aid strategies.**

**Exhibit 8
Allocation of Institutional Aid
Fiscal 2003**

Morgan State University



University System of Maryland



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
MSU	\$1,005,196	\$2,236,695	\$6,623,563
USM Total	\$12,694,130	\$6,931,735	\$33,664,525

Source: Maryland Higher Education Commission Financial Aid Information Systems Report, September 2004

3. Selected Executive and Mid-level Administrative Salaries Tend to Be Above Median

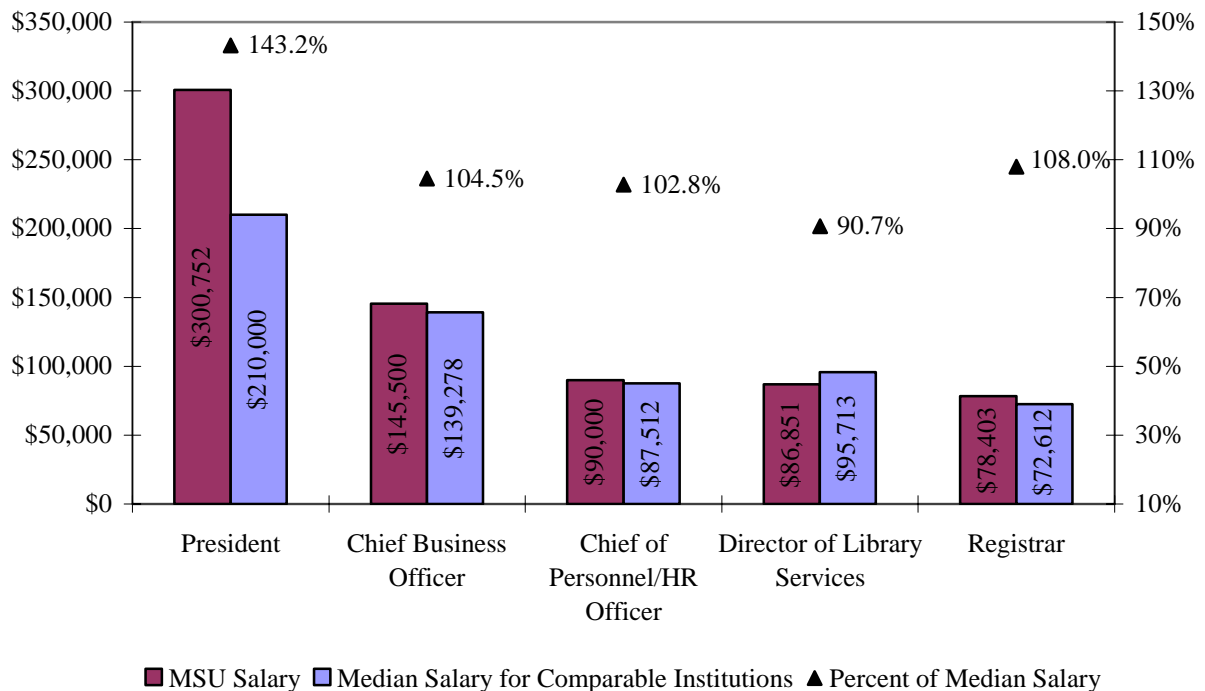
An analysis of administrative salaries by the Department of Legislative Services found that average faculty salaries at Maryland’s four-year public higher education institutions vary widely compared to peers in other states. The administrative salary analysis is based on fiscal 2004 data from the College and University Professional Association (CUPA) for Human Resources. Salaries for positions at or above the director level are reported with executive-level data, while positions below the director level are reported in mid-level data.

Executive-level Salaries

Five executive positions (president, chief business officer, chief of personnel, director of library services, and registrar) were selected for the comparison to represent several functional administrative areas. For executive-level positions, CUPA categorizes institutions according to their operating budget size and compares them on a national level since institutions draw from a nationwide pool to fill top-level vacancies. The fiscal 2004 data represents 1,379 institutions, of which 52% are public and 48% are private.

A comparison of the fiscal 2004 salaries of five executive positions at MSU and median salaries at similar-size institutions is shown in **Exhibit 9**. As the exhibit shows, four of the five reported positions are above the median salaries for comparable institutions. This includes the salary of the president of MSU, which is nearly \$91,000 more than the median comparable salary placing it at 143% of the median. The salary for the director of library services position is the furthest below comparable median salaries, earning \$86,851 compared to \$95,713.

Exhibit 9
Morgan State University
Executive Salaries
Fiscal 2004



Source: College and University Professional Association of Human Resources; Department of Legislative Services

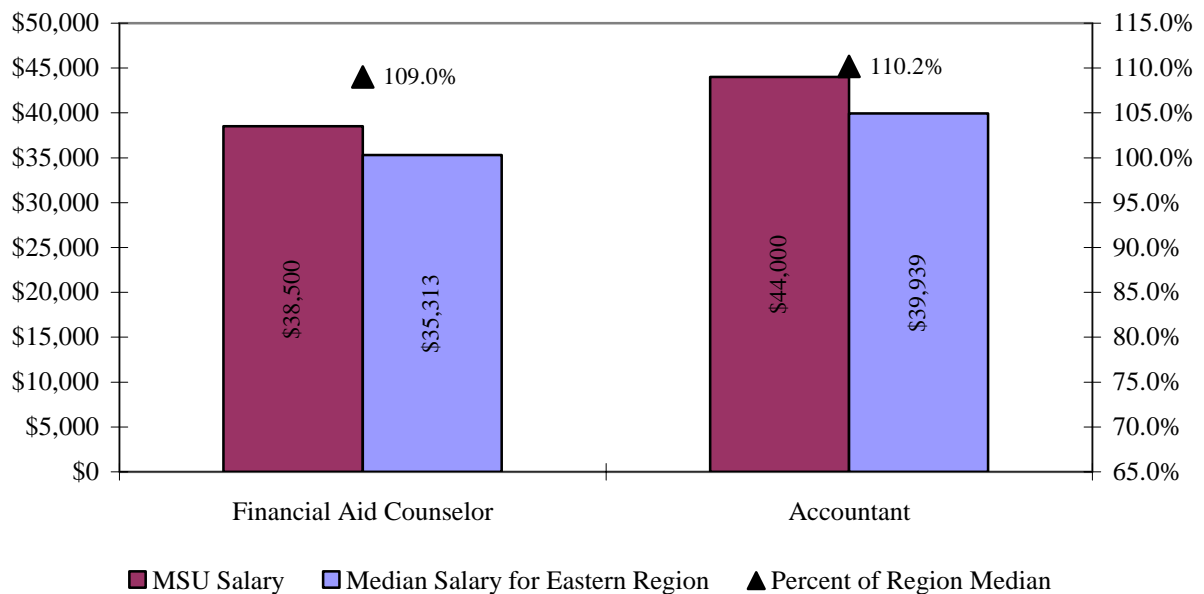
Mid-level Salaries

For mid-level administrative positions, five positions were selected for comparison – financial aid counselor, accountant, academic advisor, senior accountant, and security guard. Like the executive positions, they represent several functional areas. CUPA data for mid-level comparisons are condensed into a regional median since recruitment for these positions is usually regional.

The regional medians reported by CUPA for each position apply to all institutions in the region regardless of their budget sizes. The mid-level salary survey had 1,131 institutions responding, and public and private institutions each accounted for approximately 50% of the sample. For purposes of the survey, the eastern region includes Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

For mid-level administrative positions, salaries for financial aid counselors and accountants at Morgan were selected for comparison. As shown in **Exhibit 10**, the pattern is similar to that of executive salaries. Both of the positions reported salaries above the median for the region. The positions are between \$3,000 and \$4,000 above the median salaries.

Exhibit 10
Morgan State University
Mid-level Administrative Salaries
Fiscal 2004



Source: College and University Professional Association of Human Resources; Department of Legislative Services

4. Personnel Changes

The total MSU workforce, regular and contractual, is 1,518 in the fiscal 2006 allowance. There are 44 more contractual positions in fiscal 2006, which is an increase at 9%. In the allowance, regular positions increase by 3.6% and contractual positions increase by 9.7% over fiscal 2004. These numbers include filled and unfilled positions. As of December 2004, MSU had a vacancy rate of 6.5% for regular positions. By comparison, the USM average is 4.8%.

Exhibit 11 shows how the composition of MSU filled regular positions has changed from fiscal 2002 to 2005. Filled positions increased a net of 14 from fiscal 2002 to 2005. Instructional personnel – who fulfill the institution’s core mission – decreased by 9 full-time equivalent employees (FTEs) in fiscal 2005, but has remained the largest share of total personnel since fiscal 2002. Several other categories have gained personnel in fiscal 2005, including 39 positions in research and 14 in auxiliary enterprises. **The President should explain why personnel for instruction have declined in fiscal 2005 while other categories have gained positions. The President should also comment on MSU’s faculty workload and how the workload compares with the USM Board of Regents’ target range for comprehensive institutions.**

Exhibit 11
Morgan State University
Personnel Composition by Budget Program
Fiscal 2002, 2004 and 2005

<u>Budget Program</u>	FY 2002		FY 2004		FY 2005		<u>Change in Share of Total 02-05</u>
	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	
Instruction	366	40.1%	379	41.9%	370	40.1%	0.0%
Research	40	4.4%	44	4.9%	83	9.0%	4.6%
Academic Support	78	8.6%	69	7.6%	66	7.2%	-1.4%
Student Services	73	8.0%	69	7.6%	62	6.7%	-1.3%
Institutional Support	204	22.5%	202	22.4%	192	20.8%	-1.7%
Operations and Maintenance of Plant	102	11.2%	97	10.7%	91	9.9%	-1.3%
Auxiliary Enterprises	44	4.8%	44	4.9%	58	6.3%	1.5%
Total	907	100.0%	903	100.0%	921	100.0%	

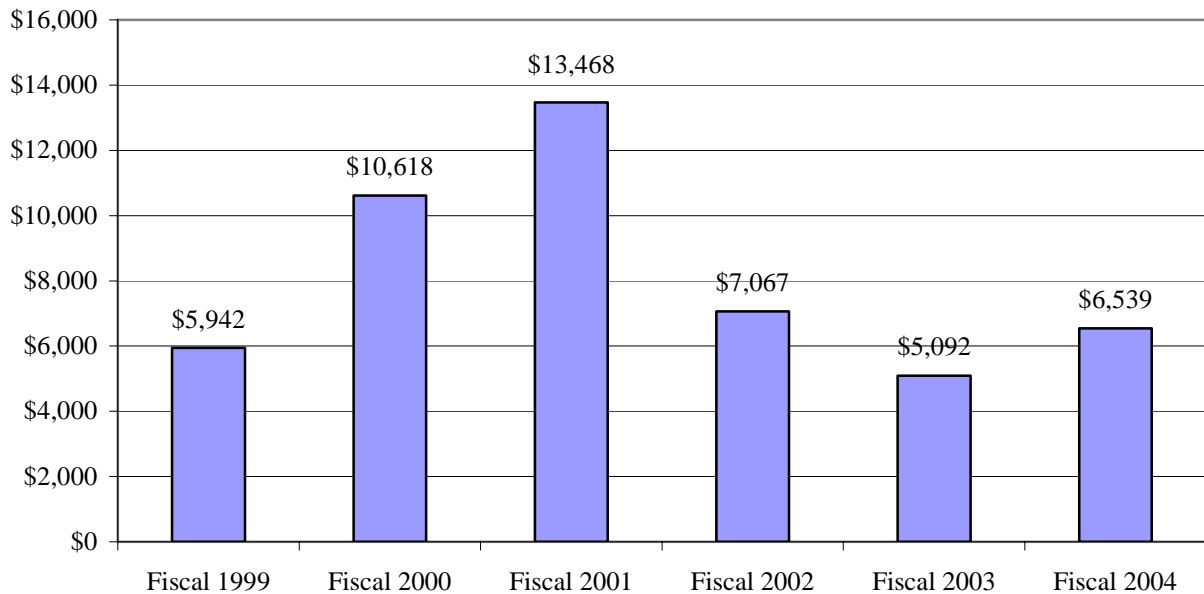
Note: Data is for filled regular positions only.

Source: Morgan State University

5. Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds

Fund balance is an important part of the assets against which debt is issued. Standard & Poor’s Rating Services recently lowered the rating on USM debt from AA+ to AA. In response, USM has a systemwide program to improve the ratio of fund balance to debt. By comparison, MSU’s fund balance has increased from \$5.9 million in fiscal 1999 to \$6.5 million in 2004 as shown in **Exhibit 12**. In fiscal 2002 the ending fund balance decreased from \$13.5 million to \$7 million due to the purchase of data network technology (\$2.6 million), facilities upgrades (\$2.3 million), accreditation preparation (\$455,000), and net payables (\$955,000). Institutions can build up fund balance by not spending all of their unrestricted funds. **The President should comment on the outlook for contributing unrestricted funds to fund balance.**

Exhibit 12
Unrestricted Fund Balance
Fiscal 1999 – 2004
(\$ in Thousands)



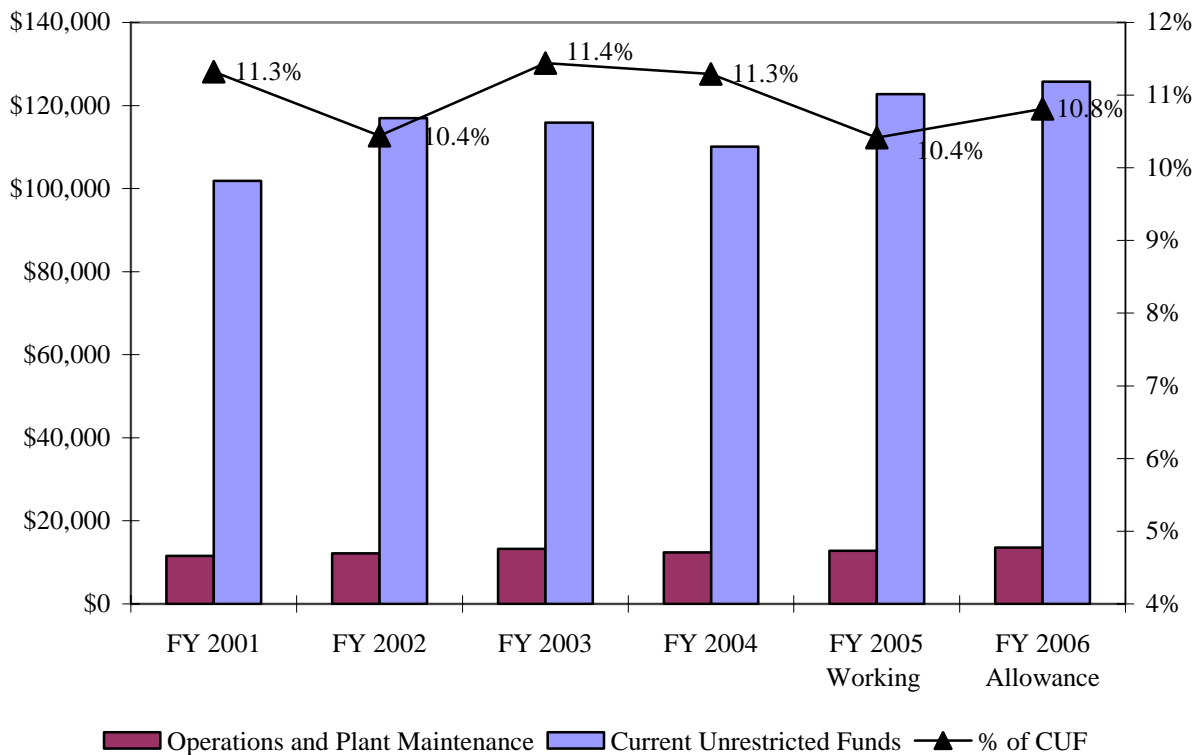
	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Fund Balance	\$5,942,345	\$10,618,201	\$13,467,522	\$7,067,461	\$5,091,749	\$6,538,972
Change		\$4,675,856	\$2,849,321	-\$6,400,061	-\$1,975,712	\$1,447,223

Note: Amounts reflect ending fund balances

Source: Maryland State Budget Books

Facilities renewal or maintenance is a common concern among campuses throughout Maryland. A 1992 USM Board of Regents’ policy directs system institutions to set aside funds for maintenance in their operating budgets equal to 2% of the current replacement value of all capital assets. The policy is based on accepted industry standards. MSU is not a part of USM and is not obligated to such a guideline. Exhibit 13 compares operations and plant maintenance expenditures against current unrestricted funds, at MSU. MSU dedicates \$3.2 million from its operations and plant maintenance budget for facilities cyclical and deferred maintenance projects. These expenditures include salaries and wages, supplies and materials, and contractual services. Since fiscal 2001, MSU has used between 10.8% and 11.4% of current unrestricted funds on operations and plant maintenance. **DLS recommends the President comment on how MSU’s percentage of maintenance funds compares to the current replacement value of all capital assets standard. The President should also comment on how MSU’s spending on facilities renewal compares to the current replacement value of all capital assets standard.**

**Exhibit 13
Operations and Plant Maintenance Expenditures
Compared to Current Unrestricted Fund Expenditures
Fiscal 2001 – 2006**



Source: Governor’s Budget Books

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Morgan State University (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$50,248	\$69,003	\$119,251	\$38,729	\$157,980
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	770	770	0	770
Cost Containment	-2,060	0	-2,060	0	-2,060
Reversions and Cancellations	0	-7,822	-7,822	-3,445	-11,267
Actual Expenditures	\$48,188	\$61,951	\$110,139	\$35,284	\$145,423
Fiscal 2005					
Legislative Appropriation	\$48,171	\$73,885	\$122,056	\$40,738	\$162,794
Budget Amendments	689	0	689	0	689
Working Appropriation	\$48,860	\$73,885	\$122,745	\$40,738	\$163,483

Note: Numbers may not sum to total due to rounding.

Fiscal 2004

MSU's general funds were reduced \$2.1 million in fiscal 2004 through the Governor's July 2003 cost containment action. Budget amendments added a net increase of \$770,228. This net increase was largely due to:

- an increase of \$775,656 in tuition and fee revenue;
- an increase of \$855,681 in other sources; and
- a decrease of \$500,000 in indirect cost recoveries.

Other unrestricted funds were further decreased by \$7.8 million in cancellations due to:

- savings from a hiring freeze in State-supported and auxiliary positions (\$3.5 million);
- lower than expected grants and contracts (\$1.0 million); and
- auxiliary bond debt that was not required (\$3.0 million).

Restricted funds were further decreased by \$3.4 million in cancellations due to:

- a decrease of \$1.4 million because of lower than expected scholarship and fellowship revenue; and
- a decrease of \$2.0 million related to scholarship inflation and growth.

Fiscal 2005

Additional general funds cover costs associated with the fiscal 2005 general salary increase for State employees.

Audit Findings

Audit Period for Last Audit:	March 2, 2001 – October 31, 2003
Issue Date:	November 2004
Number of Findings:	14
Number of Repeat Findings:	6
% of Repeat Findings:	43%
Rating: (if applicable)	

- Finding 1:** Contractual services totaling approximately \$439,000 were procured without obtaining competitive bids, and the contract was not submitted to the Board of Public Works for approval until after the related work had been completed. In addition, other contractual services and contract modifications totaling approximately \$665,000 were not submitted to the board as required.
- Finding 2:** **The university did not adequately monitor grants received.**
- Finding 3:** Documentation was not on file as required for 106 credit card purchases totaling \$104,000, and documentation that was on file was often inadequate to support the propriety of the expenditure.
- Finding 4:** The university lacked an adequate accounting for student loan checks.
- Finding 5:** The university’s cash deposits were not recorded in the State’s financial records on a timely basis. Recording delays were noted of five to eight months for deposits totaling approximately \$5.1 million.
- Finding 6:** **Reconciliations of the university’s detail student accounts receivable records to the related control records were not performed on a timely or adequate basis.**
- Finding 7:** Critical network devices did not adequately protect the internal network and monitoring of the Internet firewall was not sufficient.
- Finding 8:** The university’s computer network protection was not adequate.
- Finding 9:** **Access to the university’s critical production data files, program files, and system and security files was not properly restricted.**
- Finding 10:** **Numerous inactive user accounts existed on the university’s administrative minicomputer system.**

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- Finding 11:** A complete information technology disaster recovery plan did not exist.
- Finding 12:** The university did not properly reconcile its equipment records or report equipment to the Department of General Services as required.
- Finding 13:** **The university often submitted invoices to the Comptroller of the Treasury for payment after the 25-day time limit established by State regulations.**
- Finding 14:** **The university has not fully implemented a Financial Management Information System (FMIS) as required by law or proposed changes to the legal requirements to implement FMIS.**

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
Morgan State University**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	951.00	985.00	985.00	0	0%
02 Contractual	486.00	489.00	533.00	44.00	9.0%
Total Positions	1437.00	1474.00	1518.00	44.00	3.0%
Objects					
01 Salaries and Wages	\$ 59,465,876	\$ 63,023,299	\$ 67,469,825	\$ 4,446,526	7.1%
02 Technical & Spec Fees	23,200,898	23,018,145	25,099,527	2,081,382	9.0%
03 Communication	1,576,433	1,425,155	1,471,575	46,420	3.3%
04 Travel	1,779,506	1,708,445	1,882,025	173,580	10.2%
06 Fuel & Utilities	4,266,439	3,350,152	4,129,366	779,214	23.3%
07 Motor Vehicles	342,212	480,484	486,504	6,020	1.3%
08 Contractual Services	14,888,942	15,805,836	16,719,351	913,515	5.8%
09 Supplies & Materials	5,811,273	8,520,832	8,743,382	222,550	2.6%
10 Equip - Replacement	327,615	322,880	414,532	91,652	28.4%
11 Equip - Additional	3,893,906	6,301,451	5,952,698	-348,753	-5.5%
12 Grants, Subsidies, and Contributions	23,197,510	27,940,739	30,116,336	2,175,597	7.8%
13 Fixed Charges	5,118,733	8,035,298	5,466,867	-2,568,431	-32.0%
14 Land & Structures	1,553,329	3,550,140	3,029,769	-520,371	-14.7%
Total Objects	\$ 145,422,672	\$ 163,482,856	\$ 170,981,757	\$ 7,498,901	4.6%
Funds					
40 Unrestricted Fund	\$ 110,139,763	\$ 122,744,832	\$ 125,716,816	\$ 2,971,984	2.4%
43 Restricted Fund	35,282,909	40,738,024	45,264,941	4,526,917	11.1%
Total Funds	\$ 145,422,672	\$ 163,482,856	\$ 170,981,757	\$ 7,498,901	4.6%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
Morgan State University**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Instruction	\$ 33,297,528	\$ 37,082,945	\$ 38,132,145	\$ 1,049,200	2.8%
02 Research	27,115,936	30,636,335	34,192,877	3,556,542	11.6%
03 Public Service	144,656	147,888	159,455	11,567	7.8%
04 Academic Support	9,949,912	9,744,925	10,408,937	664,012	6.8%
05 Student Services	4,326,321	5,469,358	5,667,057	197,699	3.6%
06 Institutional Support	18,772,400	18,637,214	20,368,989	1,731,775	9.3%
07 Operation And Maintenance Of Plant	12,435,110	12,804,525	13,609,061	804,536	6.3%
08 Auxiliary Enterprise	19,365,111	25,552,948	23,316,867	-2,236,081	-8.8%
17 Scholarships And Fellowships	20,015,698	23,406,718	25,126,369	1,719,651	7.3%
Total Expenditures	\$ 145,422,672	\$ 163,482,856	\$ 170,981,757	\$ 7,498,901	4.6%
Unrestricted Fund	\$ 110,139,763	\$ 122,744,832	\$ 125,716,816	\$ 2,971,984	2.4%
Restricted Fund	35,282,909	40,738,024	45,264,941	4,526,917	11.1%
Total Appropriations	\$ 145,422,672	\$ 163,482,856	\$ 170,981,757	\$ 7,498,901	4.6%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.