Audit Report

# Baltimore City Community College

April 2012

**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

April 18, 2012

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

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

Ladies and Gentlemen:

We have audited the Baltimore City Community College (BCCC) for the period beginning September 1, 2007 and ending November 16, 2010. BCCC is an urban two-year institution that primarily offers associate of arts degrees and certificate programs in the business and health services fields as well as general studies for the purpose of continuing education at a four-year institution.

Our audit disclosed certain deficiencies regarding BCCC's lease arrangement for certain commercial space. Specifically, BCCC could not adequately explain a $200,000 payment it received from its lessor for a commercial building at the University of Maryland BioPark. This payment was not disclosed to the Department of General Services (DGS), which negotiated the lease on behalf of BCCC, or to the Board of Public Works (BPW), and was later improperly transferred to the BCCC Foundation. Furthermore, BCCC agreed to a lease modification that did not appear to be in the State's best interest and, through DGS, did not submit the lease modification to BPW for approval, as required.

BCCC also did not always take appropriate action to collect outstanding student accounts. Finally, our audit disclosed internal control weaknesses related to corporate purchasing cards and information systems. For example, adequate security measures were not in place to protect BCCC's network and administrative systems from security risks.

An executive summary of our findings can be found on page 5. BCCC's response to this audit is included as an appendix to this report.

Respectfully submitted,

Bruce A. Myers

Bruce A. Myers, CPA
Legislative Auditor

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* **Denotes item repeated in full or part from preceding audit report**

# Executive Summary

**Legislative Audit Report on**
**Baltimore City Community College (BCCC)**
**April 2012**

- **In January 2009, BCCC entered into a ten-year lease agreement for space in a commercial building at the University of Maryland BioPark. BCCC could not adequately explain a $200,000 payment it received from the lessor in July 2009. This payment was not disclosed to the Department of General Services (DGS), which negotiated the lease for BCCC, or to the Board of Public Works (BPW), and was later improperly transferred by BCCC to the BCCC Foundation. Furthermore, BCCC agreed to a lease modification that did not appear to be in the State's best interest and, through DGS, did not submit the lease modification to BPW for required approval.**

  BCCC should retroactively submit the details of the payment to DGS and BPW and, in conjunction with the Office of the Attorney General, should determine the proper disposition of the $200,000. In addition, BCCC, in conjunction with DGS, should submit the lease modification to BPW for approval and, in the future, should ensure that all significant lease modifications are in the State's best interest.

- **BCCC did not always take appropriate and timely action to collect outstanding student account balances and students were allowed to register for classes despite having delinquent balances.**

  BCCC should take appropriate and timely collection actions and should not permit students with outstanding account balances to register for subsequent semesters, in accordance with its policy.

- **Deficiencies were noted with respect to corporate purchasing card requirements and information systems. For example, adequate security measures were not in place to protect BCCC's network and administrative systems from security risks, and certain firewall rules allowed unnecessary access from student computer labs to numerous critical portions of its network, thereby placing various network devices at risk.**

  BCCC should take the recommended actions to improve controls in these areas.

# Background Information

## Agency Responsibilities

The Baltimore City Community College (BCCC) is an urban two-year institution and operates under the jurisdiction of BCCC's Board of Trustees. BCCC primarily offers associate of arts degrees and certificate programs in the business and health services fields, as well as general studies for students to continue their education at a four-year institution. BCCC has one main campus, four satellite locations, and more than 80 off-campus sites throughout Baltimore. BCCC's reported full-time equivalent enrollment for the Spring 2011 semester totaled 2,227. According to the State's accounting records, BCCC's fiscal year 2011 revenues totaled approximately $94.7 million, which included a State General Fund appropriation of approximately $40.9 million.

## Audits of BCCC's General Purpose Financial Statements

An independent accounting firm was engaged by BCCC for the purpose of expressing an opinion on BCCC's general purpose financial statements for each of the fiscal years ended June 30, 2008, 2009, 2010, and 2011. In the related audit reports, the firm stated that the general purpose financial statements presented fairly, in all material respects, the financial position of BCCC and the changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United States.

## Accreditation

On June 23, 2011, the Middle States Commission on Higher Education (MSCHE) placed BCCC on probation because there was insufficient evidence regarding compliance with its standards related to the assessment of student learning. BCCC is required to submit a report, in March 2012, documenting its progress in meeting MSCHE's standards. Based on the results of BCCC's report and an on-site visit, MSCHE will make a determination, in its June 2012 session, such as to reaffirm the accreditation, extend the probation, or request the institution "show cause" for not having its accreditation removed.

Accreditation is critical to BCCC because, according to federal regulations, non-accredited colleges are not eligible for federal funding (such as Pell grants). In fiscal year 2011, BCCC received federally funded student financial aid totaling approximately $18 million.

## Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 14 findings contained in our preceding audit report dated May 13, 2008. We determined that BCCC satisfactorily addressed 12 of these findings. The remaining 2 findings are repeated in this report.

# Findings and Recommendations

## BioPark Lease

**Background**

In January 2009, Baltimore City Community College (BCCC) entered into a sole-source, ten-year lease agreement with a private company (the lessor) for commercial space at the University of Maryland BioPark. In addition to lease payments totaling $15.5 million, BCCC agreed to pay the lessor a substantial portion of the cost of customized construction necessary to convert the space into laboratories, classrooms, and office space. BCCC used the space for its Life Sciences Institute Program and offered courses in science, technology, engineering, and mathematics. Most of these courses were also offered at BCCC's main campus. According to BCCC records, in Spring 2011, there were 90 full-time students enrolled in this Program. BCCC advised that other students also attend classes at the BioPark.

On behalf of BCCC, the Department of General Services (DGS) negotiated the lease and obtained approval from the Board of Public Works (BPW) in January 2009. We were advised by DGS and BCCC that this was the only available BioPark in Baltimore City and it was deemed important by BCCC to locate the Program at the BioPark.

As of June 15, 2011, BCCC had paid the lessor approximately $7.2 million, consisting of $4.4 million for construction renovations and $2.8 million for the first two years of lease payments.

**Finding 1**
**BCCC could not adequately explain a $200,000 payment it received from the BioPark lessor. In addition, this payment was not disclosed to DGS or to BPW, and was improperly transferred to the BCCC Foundation.**

**Analysis**

BCCC accepted a payment from the lessor under potentially questionable circumstances. In July 2009, BCCC accepted a $200,000 check, made payable to BCCC, from the BioPark lessor, and deposited the funds into its State account. The accompanying letter stated that this was a contribution for which no services were provided nor benefits received. This characterization appears to be inconsistent with BCCC internal documents, dated September 2008, which included an email from BCCC to the lessor acknowledging the lessor's $200,000 payment to BCCC upon signing of the lease agreement.

BCCC could not adequately explain why its internal documents described the payment as relating to the signing of the BioPark lease while the lessor characterized the payment as a contribution. A lessor's representative advised us that the payment was part of the overall business deal negotiated and agreed to by the lessor and BCCC. In response to our request seeking clarification regarding the payment, the lessor's representative acknowledged in an email sent to us in July 2011 that this payment was "part of the business negotiations regarding the pricing under the lease." The email correspondence also stated that the $200,000 was an additional payment toward the construction costs of customizing the space for BCCC's use and was made as a "contribution" so that it would be deductible for income tax purposes. Finally, the email correspondence clarified that the payment was made months after the lease was signed because the funds were not needed until that time. However, as indicated in Finding 2 of this report, it was determined prior to the payment that the construction costs for customizing space for BCCC's use were actually lower than expected.

We were advised by DGS management, which negotiated the lease on behalf of BCCC, that it was unaware of the payment, which was not disclosed in the lease agreement nor in any related negotiations. Furthermore, the payment was not disclosed in the action agenda submitted by DGS to BPW for approval of the lease, nor in the related BPW transcript.

In February 2010 and March 2011, BCCC improperly disbursed $31,000 and $169,000, respectively, to the BCCC Foundation to be used for scholarships. BCCC documentation supporting these payments indicated that the funds related to the aforementioned lessor's payment. State law requires that all income of BCCC be deposited in the State Treasury and spent in accordance with its approved operating budget or budget amendments.

These circumstances could violate the intent of the State's Procurement Law, which is intended to safeguard the integrity and quality of the State's procurements. Considering the inconsistencies in explanations for the $200,000 payment received, the lack of disclosure and questionable nature of the transaction, and the potential tax implications, we referred this matter to the Office of Attorney General. A referral to the Office does not mean that a violation of the law has actually occurred or that legal action will be taken.

**Recommendation 1**

**We recommend that BCCC**

a. **retroactively submit the details of the $200,000 payment to DGS and BPW; and**

b. **in conjunction with the Office of the Attorney General, determine the proper disposition of the $200,000.**

**Finding 2**
**BCCC agreed to a lease modification that did not appear to be in the State's best interest; this lease modification was not submitted to BPW for approval.**

**Analysis**
In March 2009, BCCC agreed to a modification to the BioPark lease that did not appear to be in the State's best interest. Specifically, BCCC agreed to reduce its future payments by $965,000 over the ten-year lease period rather than receive an upfront one-time credit of $1 million. This credit resulted from lower than expected construction costs needed to customize space for BCCC's use, as provided for in the original lease agreement. Based on our calculation, and considering the State's average rates of return on investments, we estimate that interest income valued at approximately $160,000 could have been earned over the 10 years of the lease. We were advised by BCCC management that it agreed to the lease modification because it benefited BCCC's cash flow, since BCCC's future rent payments would be reduced, and that the State's investment opportunities were not considered in its decision. Furthermore, BCCC did not submit the BioPark lease modification, through DGS, to BPW for approval. State regulations require that contract modifications that materially change the scope, amount, or any cost component of the contract by more than $50,000 be submitted to BPW for approval.

**Recommendation 2**
**We recommend that BCCC**

a. **ensure that all material lease modifications are in the best interest of the State; and**
b. **in conjunction with DGS, submit the complete lease modification to BPW for approval.**

## Student Accounts Receivable

**Finding 3**
**BCCC did not always take appropriate and timely action to collect outstanding student accounts.**

**Analysis**
BCCC did not always take appropriate collection action relating to outstanding student account balances, as required by the Department of Budget and Management – Central Collection Unit (CCU) regulations, as modified for BCCC. According to BCCC's records, student accounts receivable balances totaled $5.3 million as of November 2010, including $3.3 million in accounts that had previously been referred to CCU and $582,477 active student accounts receivable balances that remained unpaid after 121 days. We tested 25 delinquent student accounts, totaling approximately $80,482 as of November 2010, including 15 accounts that had been previously referred to CCU and 5 accounts that were subsequently referred to CCU. Our test disclosed the following conditions:

- For 12 of the accounts, with outstanding balances totaling $41,582, students were allowed to register for one or more subsequent semesters despite having delinquent balances.

- Five accounts with outstanding balances totaling $13,775 had not been referred to CCU even though the accounts should have been transferred three to ten months earlier. Furthermore, the 20 accounts with outstanding balances totaling $66,707 that had been referred to CCU were submitted up to 18 months late.

CCU regulations, as amended for BCCC, specify the time frame for referring accounts to CCU. For example, in general, delinquent accounts should be transferred to CCU within 130 days of the billing date. Furthermore, BCCC policy requires that debts incurred during any semester must be paid before a student can register for a subsequent semester.

**Recommendation 3**
**We recommend that BCCC**
**a. prohibit students with outstanding account balances from registering for subsequent semesters; and**
**b. transfer all delinquent accounts to CCU in a timely manner, as required.**

## Corporate Purchasing Cards

**Finding 4**
**BCCC did not consistently comply with certain corporate purchasing card requirements.**

**Analysis**
BCCC did not consistently comply with certain corporate purchasing card requirements. As a result, there was an increased risk that unauthorized transactions would not be detected timely. According to BCCC records as of January 14, 2011, there were 66 active cards. Fiscal year 2010 expenditures totaled approximately $1.3 million, of which $85,459 related to travel. Specifically, our review noted the following conditions:

- Collectively, the credit and single transaction limits for BCCC's six cards used for travel were $330,000 and $30,000 respectively, exceeding the limits established by the Comptroller of Maryland's *Corporate Purchasing Card Procedures (CPCP) Manual* by $230,000 and $15,000, respectively. The Comptroller of Maryland's *CPCP Manual* requires that the total agency credit limit and transaction limit for travel cards be set at $100,000 and $15,000, respectively. After we brought this situation to the attention of BCCC's management, these cards were suspended.

- BCCC did not monitor cards that had no activity. Our review disclosed that nine cards had not been used for periods ranging from 9 to 13 months and BCCC management personnel had no justification for maintaining these cards. The *Manual* also requires adequate justification for cards that have not been used for a six-month period and that cards with no activity for 12 months are to be purged from the system and invalidated.

**Recommendation 4**
**We recommend that BCCC**
**a. ensure that credit and single transaction limits for travel cards are in accordance with the Comptroller of Maryland's *CPCP Manual*, and**
**b. monitor inactive cards and cancel cards when deemed necessary.**

## Information Systems Security and Control

The Computer and Information Technology Services Division manages the development, maintenance, and support of BCCC's information technology infrastructure, including all related networking, telecommunications, and business information systems.  The Division maintains an integrated administrative and academic computer network which includes separate email and file servers, Internet connectivity, and multiple firewalls.  The Division also maintains critical applications supporting student, human resource, and financial information systems.  Furthermore, the Division operates web-enabled applications used by students to make payments to BCCC and by faculty to record student grades.

**Finding 5**
**BCCC's computer network was not properly secured.**

**Analysis**
Proper security measures had not been established to protect BCCC's critical network devices and administrative systems from external and internal threats. Specifically, we noted the following conditions:

- BCCC used an intrusion detection system (IDS) to monitor network traffic. However, BCCC did not review the IDS logs.  Furthermore, our tests disclosed that the IDS logs storage server either was not connected to the network or was inactive and was located outside the data center without being subject to adequate security and administrative controls.

- Firewall rules on two firewalls allowed numerous unnecessary connections to portions of the BCCC network, thereby placing various network devices at risk.  For example, student computer labs had unnecessary network level access to numerous administrative network devices over various ports and protocols.  A similar condition was commented upon in our preceding audit report.

- Our test work on two separate days revealed that the logs for a critical firewall had been deleted by BCCC staff and, therefore, were not available for review for incident response purposes.  In addition, for firewall logs that had been retained, there was no documentation of any reviews of these logs.

The State of Maryland's Department of Information Technology (DoIT) *Information Security Policy* requires firewalls be configured to achieve a "least privilege" security strategy that grants privileges only needed to perform assigned tasks  and that comprehensive audit logs be maintained and regularly reviewed.

**Recommendation 5**
**We recommend that BCCC**

**a. enable continuous operation of its IDS logging repository server, locate this server in the BCCC data center, retain the IDS logs for at least three months, perform regular reviews of these logs and retain evidence of the reviews for verification purposes;**
**b. configure its firewalls to achieve a "least privilege" security strategy giving individuals and devices only those privileges needed to perform assigned tasks (repeat); and**
**c. retain all firewall logs for at least three months to assist in any necessary incident response efforts and regularly review its firewalls' logs, investigate unusual or suspicious items, and retain documentation of these reviews and investigations.**

**Finding 6**
**Controls over the system supporting the student and faculty web portals were inadequate.**

**Analysis**
Controls over the system supporting the student and faculty web portals were inadequate. Specifically, we noted the following conditions:

- Account and password controls for the student and faculty web portals, which are used to post and view student grades, were not adequate. Specifically, password length, password complexity, and account lockout requirements were not in compliance with the requirements of the State of Maryland Department of Information Technology (DoIT) *Information Security Policy*. A similar condition was commented upon in our preceding audit report.

- Numerous unused active user accounts existed on the server hosting the student and faculty related applications and database. Specifically, as of January 21, 2011, 89 of 354 accounts on this server had been inactive from 191 to 1,369 days. Unused active accounts could be used to attempt to access or modify critical data.

- The student and faculty web applications' web server account was improperly placed within the web server's local administrator group. Proper internal control requires that web server accounts be established without providing access to sensitive system resources to reduce security risks and attacks. Therefore, if a web site user could break out of the student and faculty web applications, by exploiting web server software vulnerabilities, that user would have complete control over the web server.

**Recommendation 6**
**We recommend that BCCC**

a. **enforce user account and password controls over the student and faculty portals that are in accordance with DoIT requirements (repeat);**
b. **immediately review these 89 inactive user accounts, and on an annual basis, review user access privileges, and delete or disable all accounts deemed unnecessary; and**
c. **remove the web server account from the server's local administrator group.**

**Finding 7**
**BCCC did not have a complete Disaster Recovery Plan.**

**Analysis**
BCCC did not have a complete Disaster Recovery Plan (DRP) for its information systems operations for recovering from disaster scenarios (for example, a fire). The State of Maryland *Information Technology Disaster Recovery Guidelines* provide information on the minimum required elements needed for a complete information systems DRP. BCCC provided us with an undated DRP which did not address many of these minimum requirements. For example, the DRP did not address alternate site processing arrangements, applications prioritized for recovery, and plan testing. Without a complete and current DRP, a disaster could cause significant delays (for an undetermined period of time) in restoring information systems operations above and beyond the expected delays that would exist in a planned recovery scenario.

**Recommendation 7**
**We recommend that BCCC**

a. **establish a complete and comprehensive disaster recovery plan in accordance with the State of Maryland *Information Technology Disaster Recovery Guidelines;* and**
b. **test the DRP on a periodic basis in accordance with these *Guidelines*, and document and retain results of this testing for audit verification purposes.**

# Audit Scope, Objectives, and Methodology

We have audited the Baltimore City Community College (BCCC) for the period beginning September 1, 2007 and ending November 16, 2010. 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 and 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 BCCC's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included, purchases and disbursements, leased property, student accounts receivable, cash receipts, corporate purchasing cards, and information technology systems. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of BCCC's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of BCCC's compliance with federal laws and regulations pertaining to those programs, because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including BCCC.

BCCC'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 conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect BCCC's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This report also includes findings of significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to BCCC that did not warrant inclusion in this report.

BCCC's response 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 BCCC regarding the results of our review of its response.

Baltimore City Community College

*Changing Lives...Building Communities*

# APPENDIX

**Liberty Campus**
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Main Building, Rm. 137
Baltimore, MD 21215-7893

**Harbor Campus**
Business and Continuing
Education Division (BCED)
710 East Lombard Street
Baltimore, MD 21202-4047

**Reisterstown Plaza Center**
6764-A Reisterstown Road
Baltimore, MD 21215-9936

**Life Sciences Institute at the University of Maryland BioPark**
801 West Baltimore Street
Baltimore, MD 21201-1109

**The Maryland Center for Construction Technologies (MCCT)**
901 North Milton Avenue
Baltimore, MD 21205-1316

**The National Weatherization Training Center**
1819 East Preston Street
Baltimore, MD 21213-3131

April 16, 2012

Mr. Bruce A. Myers, CPA
Legislative Auditor
Department of Legislative Services
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Myers:

Enclosed is Baltimore City Community College's (BCCC) response to the *revised* draft audit report for the period beginning September 1, 2007 and ending November 16, 2010.

As requested, I have sent the electronic version of his response by email to response@ola.state.md.us and a paper copy to the address mentioned above.

Sincerely,

Carolane Williams, Ph.D.
President

Encl.

C: Dr. Gary D. Rodwell, BCCC Board of Trustees Chair
Dr. Danette G. Howard, Interim Secretary, MHEC
Mr. Anwer Hasan, Chairman, MHEC

BALTIMORE CITY COMMUNITY COLLEGE

RESPONSE TO DLS AUDIT 2012

**Finding 1:**

**BCCC could not adequately explain a $200,000 payment it received from the BioPark lessor. In addition, this payment was not disclosed to DGS or to BPW and was improperly transferred to the BCCC Foundation.**

**Do not concur:** As was previously explained, the $200,000 was a contribution to the College donated by Wexford Science + Technology for equipment and scholarships specifically for the BioPark. Moreover, a letter from Wexford dated July 15, 2009, was provided to the auditors that attested to fact that the $200,000 was indeed a contribution. And, since it was a contribution to the College, it was not required to be disclosed to DGS or the BPW. In addition, BCCC both accounted for and transferred the contribution appropriately by depositing it to the College's general operating account and recording it in the College's general ledger.

At no time did the College negotiate with Wexford Science + Technology for the $200,000 to be part of an overall business deal regarding pricing under the lease. Neither did the College negotiate that it was to be used as additional payment toward construction costs. In an email dated March 6, 2012, the lessor's representative states:

> *"At the time I spoke with him (the DLS auditor), I thought that the $200,000 contribution had been made at the same time the lease was signed and that the $200,000 was immediately used by BCCC to pay a portion of the costs of the tenant improvements in the space leased by BCCC."*

However, that was not the case. In fact, BCCC did not receive the $200,000 contribution until 18 months later.

The University of Maryland, Baltimore (UMB) has always been a partner with BCCC in this endeavor to increase STEM training and participation for Maryland residents. In fact, it was UMB that solicited the contribution from Wexford Industries for equipment and scholarships, not BCCC. In an email dated March 31, 2008, a representative from UMB management stated to UMB media relations personnel that he had received support from the following sources for equipment and scholarships for BCCC:

- SBA
- Research Park Corporation
- Wexford

Lastly, the $200,000 contribution from Wexford Science + Technology was widely known. In addition to the letter and email mentioned above, another letter from Wexford Science + Technology dated July 20, 2009 was sent to the U.S. Department of Commerce, Economic Development Association (EDA) in support of Baltimore City's

EDA application requesting funding for BCCC. It too mentioned the $200,000 as a contribution to BCCC.[1]

**Finding 2:**
**BCCC agreed to a lease modification that did not appear to be in the State's best interest; this lease modification was not submitted to BPW for approval.**

**Do not concur:** BCCC is a State Agency. Therefore, the decision to lower future lease payments rather than accept a one-time payment of $965,000 was in the best interest of the State, especially during a down economy. Having a lower initial lease cost avoids the State having to refinance (as was recently done for another state agency) in order to lessen the impact on future operating budgets. Furthermore, DGS responded:

> *It is not unusual for the State to receive rent credit in lieu of cash payments. The differential comes from the manner in which the landlord amortized its improvements over a 15 year term rather than a 10 year term (lease term). When the GMP came in lower, the same methodology was utilized for the refunding.*

The DLS analysis states, *"BCCC did not submit the BioPark lease modification, through DGS, to BPW for approval."* However, BCCC neither has the authority, nor responsibility to either write or submit lease modifications as is outlined in the Maryland Manual Online: A Guide to Maryland Government:
*For State agencies, DGS Lease Management and Procurement oversees the acquisition of commercial real property for use as state offices and procures leases of real property (Code State finance and Procurement Article, secs. 4-318 through 4-321).*
Therefore, DGS as the designated State agency has both the authority and the oversight responsibility for all BCCC leases and real estate negotiations. In addition, according to the above mentioned Guide, it is the responsibility of DGS (not BCCC) to write and submit lease modifications to the BPW.

Since DGS has the sole responsibility to submit lease modifications to the BPW, the College does not have the authority to satisfy the audit recommendation that states, *[BCCC] in conjunction with DGS, submit the complete lease modification to BPW for approval.* In order to conform with Generally Accepted Auditing Standards[2], Findings

[1] **Auditor's Comment**: BCCC does not concur with the audit finding and offers various explanations for the $200,000 payment it accepted from the lessor. As detailed in this report, during the audit, we received inconsistent explanations from BCCC and the lessor regarding the nature of this transaction. BCCC's response does not provide any substantive clarification of this matter, nor acknowledge or explain the transfer of the funds to the BCCC Foundation. Accordingly, we continue to question this transaction.

[2] Comptroller General of the United States, (2007). Government Auditing Standards. General Accounting Office.

must be under the control and within the purview of the organization. This is clearly not the case.[3]

**Finding 3:**
**BCCC did not take appropriate and timely action to collect outstanding student accounts.**

**Concur:** In the future, the College will ensure all delinquent accounts are sent to CCU on a timely basis. The College hired a new Controller in September 2010 and Bursar in December 2010 and a comprehensive review of student accounts was performed. Outstanding delinquent accounts were forwarded to CCU as part of this review. Student Accounting procedures were modified and updated to include a monthly review of student receivables. The student accounting database is monitored and reconciled on a monthly basis to ensure the timely submission of delinquent student accounts are sent to CCU. In May 2011, additional procedures were implemented to flag student accounts with outstanding balances. “Holds” are placed on student accounts blocking them from registering for upcoming semesters. The removal of holds on a student account requires verification of payment and supervisory approval.

**Finding 4:**
**BCCC did not consistently comply with certain corporate purchasing card requirements.**

**Concur:** The CPC card limits resulted from the College’s desire to decentralize travel. The creation of travel cards for individuals (all Administrative Coordinators) in the College Works (CPC Management System) had provided a card profile of $100,000 for travel cards. The travel cards in question were not registered with the State’s Travel Agent and therefore, were never activated. The College has since abandoned the decentralization of travel and all travel cards have been cancelled except for the one used by the central travel coordinator on campus.

In addition, to prevent having inactive cards, Baltimore City Community College has implemented a review structure that will look at CPC card usage every six months and make a determination of continued use every twelve months.

[3] **Auditor’s Comment**: In its response, BCCC does not concur with the audit finding. Although BCCC asserted that it is not unusual to receive rent credit in lieu of cash payments, BCCC has not demonstrated how this arrangement benefited the State in this particular instance. Furthermore, its response stated that BCCC does not have the authority to submit the lease modifications; rather, it is the responsibility of DGS to submit BCCC lease modifications to the BPW. While DGS does have oversight responsibility, this does not relieve BCCC of its responsibility to ensure that its lease modifications are submitted to the BPW for approval. In this regard, BCCC and the lessor were the primary signatories on the lease modification and the DGS legal counsel signed it attesting only to form and legal sufficiency.

**Finding 5**
**BCCC's computer network was not properly secured.**

**Concur**. BCCC relocated the IDS/IPS server to the Main Data Center and since then has maintained continuous operations of the IDS logging repository server. BCCC purchased a software solution to monitor and review both the IDS and Firewall logs regularly. Also, BCCC purchased a hardware storage solution to adequately store three (3) months of both IDS and Firewall log files. Additionally, BCCC implemented a process to investigate unusual or suspicious items, and retains documentation of the reviews and investigations.

All computer labs have been isolated from BCCC's administrative systems. BCCC is in the process of redesigning and consolidating its administrative systems infrastructure to further limit access to achieve the security strategy recommended. BCCC anticipates this process will be completed by December 12.

**Finding 6**
***Controls over the system supporting the student and faculty web portals were inadequate.***

**Concur.** BCCC is in the process of getting DOIT's approval to purchase an updated ERP system which will integrate with LDAP so the College will be in compliance with user account and password controls over the student and faculty portals. The ITPR will be resubmitted to DOIT by April 15, 2012.

BCCC reviewed and disabled the 89 inactive user accounts. BCCC implemented a standard operating procedure to disable any user account that has been inactive for a period of six (6) months. BCCC will continue to perform an annual review of users' access privileges and disable all accounts deemed unnecessary; this process will act as a check and balance for the six-month review.

BCCC removed the web server daemon account from the server's local administrator's group. All rights for this account have been restricted to the appropriate group.

**Finding 7**
**BCCC did not have a complete Disaster Recovery Plan.**

**Concur**. BCCC will maintain a complete and comprehensive disaster recovery plan (DRP) in accordance with the State of Maryland *Information Technology (IT) Disaster Recovery Guidelines.* The plan has been completed and BCCC anticipates full compliance by June 2013.

3/8/12

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