

Audit Report

**University System of Maryland
University of Baltimore**

July 2008



**OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY**

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

July 18, 2008

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the University System of Maryland – University of Baltimore (UB) for the period beginning June 18, 2004 and ending August 31, 2007.

Our audit disclosed that UB had not properly reconciled its accounting records with the related records of the State Comptroller. Additionally, UB did not adequately monitor and control access to critical transactions on its automated systems, resulting in numerous individuals having improper access to process such transactions. Furthermore, UB did not always take appropriate action to pursue collection of outstanding student accounts and did not always maintain accurate student account balances.

We also noted that independent verifications of student residency status determinations and financial aid awards were not performed, that residency status determinations were not adequately supported, and that student refunds checks were not secured. Additionally, sufficient access and security controls were not in place over significant computer applications, including the student administration and financial systems. Also, certain payments to contractors were not made in accordance with the terms of the related agreements, resulting in overpayments. Finally, certain internal control weaknesses and other procedural deficiencies were noted in the areas of student grades and cash receipts.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on University of Baltimore (UB) July 2008

- **UB had not properly reconciled its automated accounting records with the related records of the State Comptroller.**

UB should properly reconcile its accounting records with the State Comptroller's records and maintain documentation supporting reconciling items.

- **UB did not adequately monitor and control access to critical transactions, resulting in numerous individuals being improperly granted the ability to process such transactions.**

UB should monitor and control access to critical transactions on its automated system.

- **Procedures and controls over the maintenance and collection of student accounts were inadequate. Specifically, UB did not adequately pursue collection of outstanding accounts and did not always maintain accurate records of student account balances.**

UB should pursue collection of outstanding accounts and maintain accurate records of student account balances.

- **Independent verifications were not performed of student residency status determinations and financial aid awards, residency status determinations were not adequately supported, and student refund checks were not adequately secured.**

UB needs to independently verify residency status determinations and financial aid awards, and ensure that residency status determinations are adequately supported. UB should also secure student refund checks prior to distribution.

- **Sufficient access and security controls were not in place over significant computer applications, including the student administration and financial systems.**

UB should take the recommended corrective actions to improve security over critical applications.

- **Payments for contractual services were not always made in accordance with the terms of the related agreements, resulting in overpayments of \$23,200, and payments were not always adequately supported.**

UB should ensure that payments to contractors are made in accordance with the terms of the related agreements and recover overpayments made. UB should also ensure that payments to contractors are properly supported.

- **Internal control and recordkeeping deficiencies were also noted with respect to student grades and cash receipts.**

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

Background Information

Agency Responsibilities

The University of Baltimore (UB) is an urban public institution of the University System of Maryland. Prior to the Fall 2007 semester, UB operated as a transfer institution, admitting undergraduates for their sophomore, junior, and senior years. Beginning with the Fall 2007 semester, UB began operating as a traditional four-year institution, accepting applications for the enrollment of freshmen. UB also offers graduate and professional programs in such fields as law, business, public administration, and for related applications of the liberal arts.

Student enrollment for the Spring 2007 semester totaled 4,777 students. UB's budget is funded by unrestricted revenues, such as tuition and student fees, a State general fund appropriation, and restricted revenues, such as federal grants and contracts. According to the State's accounting records, fiscal year 2007 revenues totaled approximately \$84.6 million, which included a State general fund appropriation of \$26.2 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 3, 2005. We determined that UB satisfactorily addressed 11 of the findings. The 3 remaining findings are repeated in this report.

Findings and Recommendations

Automated Systems

Background

The University of Baltimore (UB) uses an automated system to record all transactions related to cash receipts, student accounts receivable, payroll, purchasing, and disbursements. In addition, the system is used for student registration, to maintain student grades, and for various academic initiatives. The system interfaces activity between the various functions. For example, student registration for a class will automatically update the student's accounts receivable record for the cost of the class on a real-time basis. The financial information on the system is interfaced into the State's Financial Management Information System on a daily basis using a batch process.

Finding 1

UB did not properly reconcile its accounting records with the related records of the State Comptroller.

Analysis

UB did not properly reconcile its accounting records with the related records of the State Comptroller. Specifically, our review of reconciliations prepared by UB as of June 30, 2007, disclosed the following conditions:

- Cash balances reflected in the Comptroller's records (approximately \$10,651,000) exceeded the cash balances on UB's accounting records (approximately \$10,478,000) by \$173,000. Additionally, UB could not provide us with documentation supporting reconciling items totaling approximately \$531,000 reflected on the cash balance reconciliation. Furthermore, the student accounts receivable balance recorded in the Comptroller's records (approximately \$20,847,000) exceeded the related balance on UB's accounting records (approximately \$20,761,000) by \$86,000.
- Student accounts receivable and cash balance reconciliations were not performed monthly. Specifically, UB was unable to provide us with documentation that reconciliations had been completed for three months during fiscal year 2007 (reconciliations were not completed for August 2006, February 2007, and March 2007) and for any months during fiscal year 2006.

We were advised by UB management personnel that they believe the aforementioned unresolved differences resulted from the conversion to the new automated system in June 2003 and may also be attributable to errors in the interface between its system and the Comptroller's records. However, UB could not provide us with documentation to support these assertions. A similar situation has been commented upon in our two preceding audit reports.

Recommendation 1

We again recommend that UB take immediate action to resolve the aforementioned differences and, in the future, reconcile its financial records to the corresponding State Comptroller's records monthly, and investigate and document any reconciling differences in a timely manner.

Finding 2

UB did not adequately monitor computer user access capabilities and, as a result, numerous individuals unnecessarily had the ability to process critical transactions.

Analysis

UB did not adequately monitor user access capabilities regarding the processing of critical transactions on its automated system. Specifically, UB did not periodically generate and review system security reports to ensure that user access capabilities assigned to certain critical applications (such as student residency) were proper. Our review of user access capabilities disclosed the following conditions:

- Our test of 15 employees disclosed that 4 employees could process disbursement transactions and 1 could initiate purchase orders without independent approval. Furthermore, 3 of these employees could add and update vendor information. According to UB's records, UB processed expenditures (excluding payroll expenditures) totaling approximately \$37 million during fiscal year 2007.
- Twelve employees had the ability to change a student's residency status even though this ability was not required by the employees to perform their assigned job duties. Additionally, we identified four individuals with the ability to change a student's residency status as of September 2007 whose employment had been terminated by UB between January 2006 and July 2007. When brought to UB's attention, access capabilities for these four individuals were removed.

- A total of 17 employees had critical payroll-related capabilities that were not required for them to perform their normal job duties. For example, all 17 employees had the ability to modify employee pay rates in the automated system.

As a result of these deficiencies, unauthorized transactions could be processed without detection. Similar conditions were commented upon in our preceding audit report.

Recommendation 2

We again recommend that UB identify all critical transactions on its automated system and ensure that appropriate online security features are established for related capabilities. For example, UB could periodically (for example, quarterly) generate computer system security reports and review these reports to evaluate assigned user access capabilities. UB should also eliminate critical capabilities for employees that do not require such capabilities to perform their normal job duties, including any employees who have been terminated.

Student Accounts

Finding 3

Procedures and controls over the maintenance and collection of student accounts were inadequate.

Analysis

UB did not always adequately pursue collection of outstanding student account balances and student accounts receivable records were not always accurately maintained. Specifically, our test of 20 student and third party accounts (such as the student's employer), each outstanding for at least 120 days and having a balance of \$11,000 or more, and totaling approximately \$392,000 as of August 2007, disclosed the following conditions:

- Nine accounts with outstanding balances totaling \$206,600 were not referred to the Department of Budget and Management's Central Collection Unit (CCU) within 150 days of the end of the semester, as required by UB's collection policy as approved by CCU. As of September 2007, delays in forwarding these 9 accounts to CCU ranged from 16 months to over 5 years. In addition, for 4 of the 9 accounts, students were permitted to register for and attend classes even though they had outstanding balances totaling approximately \$58,600 from prior semesters, which is in violation of UB's

tuition and fee policy. When we brought this to UB's attention, the nine accounts were referred to CCU.

- For 7 accounts with outstanding balances totaling approximately \$86,900, UB provided us with documentation to substantiate that no amount was actually owed by the student even though it appeared on UB's records that a balance was still outstanding. This situation occurred because certain transactions had not been recorded in UB's student account records. For example, UB management personnel informed us that 2 students dropped their classes before the semester began, but the charges were never removed from the students' accounts.

Similar conditions regarding the failure to pursue delinquent accounts were commented upon in our preceding audit report. According to UB records, student accounts receivable balances totaled approximately \$15.1 million as of August 2007, of which approximately \$ 1.5 million had been outstanding since at least the Fall 2006 semester.

Recommendation 3

We again recommend that UB refer delinquent accounts to CCU in a timely manner, as required. Additionally, we recommend that UB accurately maintain student accounts and record all related transactions, including the aforementioned transactions that had not been recorded.

Finding 4

Internal controls over student residency status determinations were not adequate, and residency status determinations were not adequately supported as required by University System of Maryland policy.

Analysis

Controls over student residency status determinations were not adequate. Specifically, documentation supporting initial determinations of student residency status was not obtained as required by University System of Maryland (USM) policy. Rather, the initial determinations were based solely on a questionnaire completed by the student. Furthermore, although we were advised that supervisory personnel in one department verified initial residency status determinations based on the questionnaire responses, such reviews were not documented. We were also advised that, in another department, no independent review of initial residency determinations was performed.

In addition, reclassifications of student residency status were not always supported or approved by supervisory personnel. Our test of 20 residency status reclassifications (from out-of-state to in-state tuition status) made during fiscal year 2007 disclosed that UB did not obtain documentation from the student to support 13 reclassifications. These 13 reclassifications were made based solely on changes made by the student to the aforementioned residency status questionnaire. Additionally, 18 of the 20 reclassifications were not supported by a formal petition to change residency status as required by USM policy, although additional documentation existed for 5 of these reclassifications. Furthermore, there was no evidence that supervisory personnel had reviewed 15 of the 20 residency status reclassifications.

USM Board of Regents policy on *Student Classifications for Admission and Tuition Purposes* requires students to demonstrate their residency status (for example, demonstrate that they possess a valid Maryland driver's license), and that a change in residency status must be requested by submitting a USM institution's *Petition for Change in Classification for Tuition*. Accurate student residency status determinations are critical because of the significant differences between in-state and out-of-state student tuition rates. For example, full-time undergraduate tuition and fee charges for the 2006-2007 academic year totaled \$3,417 per semester for Maryland residents and \$9,460 per semester for non-residents, a difference of \$6,043.

Recommendation 4

We recommend that UB obtain documentation supporting student residency status determinations as required by USM policy. We also recommend that supervisory personnel independent of the student residency status determination and reclassifications process review residency status determinations, at least on a test basis, and document these reviews. Additionally, we recommend that UB require students to submit formal petitions and supporting documentation to reclassify residency status as required by USM policy.

Finding 5

Independent verifications were not performed of the propriety of financial aid awards posted to student accounts and student refund checks were not adequately secured.

Analysis

Independent verifications were not performed to ensure the propriety of financial aid awards posted to student records. Specifically, financial aid employees posted

financial aid awarded to each student to the student accounts in the automated system. However, an employee independent of the financial aid award process did not compare financial aid posted to student accounts with supporting source documents (such as financial aid award letters accepted by the students). Additionally, student refund checks were kept in an unlocked box accessible by all Bursar Office employees prior to being distributed to students.

As a result of these deficiencies, UB lacked assurance that financial aid awards posted to student accounts were proper and student refund checks could have been misappropriated without timely detection. According to UB's records, during fiscal year 2007, financial aid awarded to students totaled approximately \$48.1 million, and refunds to students totaled approximately \$17.7 million.

Recommendation 5

We recommend that supervisory personnel independent of the financial aid award process verify, at least on a test basis, the propriety of financial aid award amounts posted to student records, and that such verifications be documented. We also recommend that student refund checks be adequately secured prior to being distributed to students.

Student Grades

Finding 6

Changes to student grades recorded in the automated system were not always properly authorized as required and independent verifications of recorded grade changes were not always documented.

Analysis

Student grade changes recorded in the automated system were not always properly authorized and independent verifications of grade changes were not always documented. Our test of 30 grade changes recorded during fiscal years 2006 through 2008 disclosed that 7 grade changes were not authorized by both the faculty member who initially assigned the grade and the Dean of the respective school. All 7 grade changes had been authorized by either the faculty member or the Dean but not by both as required by UB policy. Additionally, for 6 of the 30 grade changes, there was no evidence that the changes had been independently verified by supervisory personnel. As a result of these deficiencies, there was a lack of assurance that all grade changes recorded in the automated system were proper.

UB policy requires that a Change of Grade Form be prepared for all student grade changes and that the forms be approved by both the faculty member who assigned the initial grade and the Dean of the respective school. According to UB records, approximately 1,400 grade changes were recorded during the period from July 2006 through September 2007.

Recommendation 6

We recommend that changes to student grades be authorized by both the faculty member who initially assigned that grade and the Dean of the respective school in accordance with UB policy. Additionally, we recommend that supervisory personnel independent of the grade processing function verify the propriety of recorded grade changes and that such verifications be documented.

Information Systems Security and Control

Background

UB's Office of Technology Services provides information systems support to UB through the implementation and maintenance of campus-wide applications, including financial, student administration, and human resource applications. UB also operates an integrated administrative and academic computer network, which provides connections to multiple servers used for administrative and academic purposes. The campus network also includes separate email and file servers, a firewall, and Internet connectivity, as well as multiple campus websites that function as entry points into many of UB's services.

Finding 7

UB's internal network was not adequately secured by its firewall, which was also not properly administered and monitored.

Analysis

UB's internal network was not adequately secured by its firewall, which was also not properly administered and monitored. Specifically, we noted the following conditions:

- The UB firewall was not configured to adequately secure its network. For example, unnecessary access was allowed to all servers within a neutral network zone over selected ports via the Internet. In addition, certain servers within this same neutral network zone could unnecessarily access key administrative and network servers over selected ports. Therefore, critical

network devices were susceptible to attacks which could result in a loss of data integrity, the destruction of critical files, and the interruption of network services.

- Unnecessary administrative access was allowed to the firewall from numerous devices within the neutral network zone. Furthermore, two insecure connection protocols, which did not encrypt traffic, were used to administer the firewall. Access rules for critical network devices should use a “least privilege” security strategy which gives individuals only those privileges needed to perform assigned tasks and only secure protocols, which encrypt traffic, should be used to administer the firewall.
- The firewall was not configured to send immediate alerts to network personnel for significant security events identified by the firewall. Also, we determined that while UB’s log analysis software reported instances of firewall configuration changes and failed firewall login attempts, we were advised that these reports were not reviewed.

Recommendation 7

We recommend that UB configure its firewall to adequately secure its network. We also recommend that administrative access to all firewalls be limited to devices requiring such access and that only secure connection protocols be enabled on these firewalls. Furthermore, we recommend that immediate alerts be sent to network administrators for significant security events detected by the firewall. Finally, we recommend that reports of all significant logged firewall security events be generated and reviewed on a regular basis, and that these reviews be documented and retained for future reference.

Finding 8

Certain critical operational aspects of UB’s financial, student administration, and human resource applications were not sufficiently controlled.

Analysis

UB did not adequately control certain critical operational aspects of its financial, student administration, and human resources applications. Specifically, we noted the following conditions:

- The financial application’s web server authentication parameters allowed users to send their userids and passwords over the network in clear text (that is not encrypted) which could allow the userids/passwords to be intercepted in a

usable form. The USM *Guidelines in Response to the State IT Security Policy and Standards* specify that critical data should be protected in transit (for example, via encryption).

- Program change control procedures for documenting, reviewing, and updating modified programs for the aforementioned applications were inadequate. Specifically, all five program changes tested lacked documentation to substantiate that program code changes had been reviewed. A similar condition was noted in our preceding audit report.

Recommendation 8

We recommend that all critical data, including userids and passwords, be encrypted in transit in accordance with the requirements prescribed by the USM *Guidelines in Response to the State IT Security Policy and Standards*. We also again recommend that adequate documentation be developed and maintained to support program changes.

Finding 9

Database access control and monitoring, reporting, and reviewing critical security events were not adequate.

Analysis

Database access control and monitoring, reporting, and reviewing critical security events were not adequate. Specifically, we noted the following conditions:

- One database account had full administrative access to two critical databases. Since this account includes local server administrators by default, these administrators had full administrative access to these databases. In addition, another account was improperly assigned database administrator and owner roles for the databases. As a result, anyone able to achieve administrator privileges would automatically have full administrative access to these databases and could perform unauthorized modifications to critical data.
- UB was not logging certain critical database system security-related events (such as granting or revoking privileges) for two critical databases, although the capability to perform such logging existed. Also, we were advised that the daily logon attempt reports for these databases, which also reported failed logon attempts, were not being reviewed. Therefore, significant database security violations could go undetected, thus permitting unauthorized or inappropriate activities to adversely affect the integrity of the production database files.

- Server security log reports for two critical servers tested did not include several important security events related to account management, system changes, audit events, and account logon events. Accordingly, significant system activities were not reviewed. As a result, unauthorized or inappropriate activities affecting the integrity of these server's applications could go undetected.

Recommendation 9

We recommend that UB limit access to all critical databases to personnel whose job duties require such access. We also recommend that UB log all critical security related events, review the logs on a daily basis, document these reviews, and retain evidence of these reviews.

Contractual Services

Finding 10

Payments for contractual services were not always made in accordance with the related agreements, resulting in overpayments of \$23,200, and were not always adequately supported.

Analysis

UB did not always ensure that payments for contractual services were made in accordance with the related agreements. Specifically, our test of 15 payments made during fiscal years 2005 to 2007 totaling approximately \$1.7 million disclosed that portions of certain payments were not made in accordance with the terms of the related contractual agreements, resulting in overpayments to the vendors of approximately \$23,200. Additionally, 6 payments totaling approximately \$643,400 lacked adequate documentation supporting the propriety of the invoice (for example, payments for advertising costs were not supported by documentation of media placements made by the advertising firm). Subsequent to our bringing this to UB's attention, UB obtained documentation from the vendors to support the six payments.

During fiscal year 2007, payments made by UB for contractual services totaled approximately \$5.8 million.

Recommendation 10

We recommend that, in the future, UB obtain documentation supporting all invoices for contractual services before payments are made and ensure that payments for such services are made in accordance with the terms of the

related agreements. We also recommend that UB obtain reimbursement for the aforementioned overpayments of \$23,200.

Cash Receipts

Finding 11

Adequate internal control had not been established over collections.

Analysis

Adequate internal control had not been established over collections. Specifically, we noted the following conditions:

- Checks received in the mail by the Bursar's Office were not restrictively endorsed "for deposit only" immediately upon receipt. Additionally, although mail collections were initially recorded on a cash receipt log, the collections and the log were kept in an unlocked box accessible by all Office employees prior to the collections being processed by a cashier.
- UB did not always deposit collections timely. Our test of collections totaling approximately \$1.2 million for 10 days during fiscal 2007 disclosed that collections for 3 days totaling approximately \$465,000 were not deposited until 3 to 4 business days after receipt. The Comptroller of the Treasury's *Accounting Procedures Manual* requires that receipts be deposited no later than the first business day after receipt.

As a result of these deficiencies, collections could be misappropriated without timely detection. According to UB's records, collections deposited by the Bursar's Office totaled approximately \$34.8 million during fiscal year 2007, and primarily consisted of receipts applicable to student registration transactions.

Recommendation 11

We recommend that all checks be restrictively endorsed "for deposit only" immediately upon receipt, and that all collections be adequately secured prior to subsequent processing and deposit. Additionally, we recommend that UB deposit all collections timely, as required.

Audit Scope, Objectives, and Methodology

We have audited the University System of Maryland (USM) – University of Baltimore (UB) for the period beginning June 18, 2004 and ending August 31, 2007. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine UB'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 applicable 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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of UB'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 certain support services (such as endowment accounting and bond financing) provided to UB by the USM Office. These support services are included within the scope of our audits of the Office.

Our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of UB'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 the components of the USM.

Our audit scope was limited with respect to UB's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all UB cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the banks' records.

UB's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

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

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

APPENDIX



OFFICE OF THE CHANCELLOR

July 17, 2008

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Re: Audit of University of Baltimore
Period of Audit: June 18, 2004 to
August 31, 2007

Dear Mr. Myers:

I have enclosed the University System of Maryland's responses to your draft report covering the examination of the accounts and records of the University of Baltimore. Our comments refer to the individual items contained in the report.

Sincerely,

WE Kirwan
William E. Kirwan
Chancellor

Enclosure

WEK:mpk

cc: Robert L. Bogomolny, President, UB
Clifford M. Kendall, Chair, Board of Regents
Robert L. Page, Comptroller, USM
James E. Lyons, Sr. Ph.D., Secretary of Higher Education, MHEC
Kevin M. O'Keefe, Chair, MHEC

1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

1865
Bowie State University

1866
Towson University

1886
University of Maryland
Eastern Shore

1898
Frostburg State University

1900
Coppin State University

1925
Salisbury University

1925
University of Baltimore

1925
University of Maryland
Center for Environmental
Science

1947
University of Maryland
University College

1966
University of Maryland,
Baltimore County

1985
University of Maryland
Biotechnology Institute

**RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND – UNIVERSITY OF
BALTIMORE
FOR THE PERIOD JUNE 18, 2004 – AUGUST 31, 2007**

Automated Systems

Finding 1

UB did not properly reconcile its accounting records with the related records of the State Comptroller.

Recommendation 1

We again recommend that UB take immediate action to resolve the aforementioned differences and, in the future, reconcile its financial records to the corresponding State Comptroller's records monthly, and investigate and document any reconciling differences in a timely manner.

Response 1

University of Baltimore is reconciling monthly. We are currently analyzing every transaction line-by-line to discover the reasons for the differences among categories. In total, our fund balance equals what is in the Comptroller's records (FMIS) so we are assured that all transactions are reflected in both systems. We expect to complete our line-by-line analysis by January 31, 2009 to ensure that we are reconciled between FMIS and PeopleSoft.

Finding 2

UB did not adequately monitor computer user access capabilities and, as a result, numerous individuals unnecessarily had the ability to process critical transactions.

Recommendation 2

We again recommend that UB identify all critical transactions on its automated system and ensure that appropriate online security features are established for related capabilities. For example, UB could periodically (for example, quarterly) generate computer system security reports and review these reports to evaluate assigned user access capabilities. UB should also eliminate critical capabilities for employees that do not require such capabilities to perform their normal job duties, including any employees who have been terminated.

**RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND – UNIVERSITY OF
BALTIMORE
FOR THE PERIOD JUNE 18, 2004 – AUGUST 31, 2007**

Response 2

University of Baltimore presently monitors and documents every transaction on its transmittal cover sheet. This eliminates the risk of employees with the access to create vendors and pay them without proper authorization. We will continue to do this.

University of Baltimore has eliminated access for those who do not require it to perform their job functions. A complete review of all access is part of our PeopleSoft upgrade scenario. The University will run a comprehensive access listing quarterly, starting January 1, 2009 after the upgrade is complete.

Pay rate change access is currently in the process of being set-up and tested and will go into production in October 2008.

Student Accounts

<p>Finding 3 Procedures and controls over the maintenance and collection of student accounts were inadequate.</p>

Recommendation 3

We again recommend that UB refer delinquent accounts to CCU in a timely manner, as required. Additionally, we recommend that UB accurately maintain student accounts and record all related transactions, including the aforementioned transactions that had not been recorded.

Response 3

University of Baltimore has sent all delinquent accounts to CCU and it will ensure that future submissions are timely as required. All adjustments are being posted on time and supervisory personnel monitor the accuracy of such posting on a daily basis.

**RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND – UNIVERSITY OF
BALTIMORE
FOR THE PERIOD JUNE 18, 2004 – AUGUST 31, 2007**

Finding 4

Internal controls over student residency status determinations were not adequate, and residency status determinations were not adequately supported as required by University System of Maryland policy.

Recommendation 4

We recommend that UB obtain documentation supporting student residency status determinations as required by USM policy. We also recommend that supervisory personnel independent of the student residency status determination and reclassification process review residency status determinations, at least on a test basis, and document these reviews. Additionally, we recommend that UB require students to submit formal petitions and supporting documentation to reclassify residency status as required by USM policy.

Response 4

University of Baltimore will follow all USM policies on residency. Supervisory approval of all residency determinations and reclassifications will be documented. This process will be implemented by September 30, 2008.

Finding 5

Independent verifications were not performed of the propriety of financial aid awards posted to student accounts and student refund checks were not adequately secured.

Recommendation 5

We recommend that supervisory personnel independent of the financial aid award process verify, at least on a test basis, the propriety of financial aid award amounts posted to student records, and that such verifications be documented. We also recommend that student refund checks be adequately secured prior to being distributed to students.

Response 5

Supervisory personnel independent of the financial aid award process will, on a test basis, verify the propriety of financial aid awards posted to student records and document such verification by September 1, 2008. Student checks are currently kept in a secure locked environment.

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Student Grades

Finding 6

Changes to student grades recorded in the automated system were not always properly authorized as required and independent verifications of recorded grade changes were not always documented.

Recommendation 6

We recommend that changes to student grades be authorized by both the faculty member who initially assigned that grade and the Dean of the respective school in accordance with UB policy. Additionally, we recommend that supervisory personnel independent of the grade processing function verify the propriety of recorded grade changes and that such verifications be documented.

Response 6

University of Baltimore currently requires that faculty and the Deans approve grade changes. The University will continue to comply with its grade change policy. Supervisory staff, who cannot post or change grades, will verify all grade changes posted.

Information Systems Security and Control

Finding 7

UB's internal network was not adequately secured by its firewall, which was also not properly administrated and monitored.

Recommendation 7

We recommend that UB configure its firewall to adequately secure its network. We also recommend that administrative access to all firewalls be limited to devices requiring such access and that only secure connection protocols be enabled on these firewalls. Furthermore, we recommend that immediate alerts be sent to network administrators for significant security events detected by the firewall. Finally, we recommend that reports of all significant logged firewall security events be generated and reviewed on a regular basis, and that these reviews be documented and retained for future reference.

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Response 7

The University of Baltimore agrees with the finding. The recommendation above involves significant system changes which require planning and testing. The University will implement the recommendation by December 1, 2008. The recommendation related to administrative access has been implemented. The recommendation related to alerting and performing a review of significant events will be implemented as of August 1, 2008.

Finding 8

Certain critical operational aspects of UB's financial, student administration, and human resource applications were not sufficiently controlled.

Recommendation 8

We recommend that all critical data, including userids and passwords, be encrypted in transit in accordance with the requirements prescribed by the USM *Guidelines in Response to the State IT Security Policy and Standards*. We also again recommend that adequate documentation be developed and maintained to support program changes.

Response 8

The University of Baltimore agrees with the finding and has made all recommended changes.

Finding 9

Database access control and monitoring, reporting, and reviewing critical security events were not adequate.

Recommendation 9

We recommend that UB limit access to all critical databases to personnel whose job duties require such access. We also recommend that UB log all critical security related events, review the logs on a daily basis, document these reviews, and retain evidence of these reviews.

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Response 9

The University of Baltimore agrees with the finding and will make all recommended changes. The recommendation related to database access will be implemented as of August 1, 2008. The recommendation related to critical security events has been implemented.

Contractual Services

Finding 10

Payments for contractual services were not always made in accordance with the related agreements, resulting in overpayments of \$23,200, and were not always adequately supported.

Recommendation 10

We recommend that, in the future, UB obtain documentation supporting all invoices for contractual services before payments are made and ensure that payments for such services are made in accordance with the terms of the related agreements. We also recommend that UB obtain reimbursement for the aforementioned overpayments of \$23,200.

Response 10

Effective immediately University of Baltimore will require proper documentation on all invoices before processing them. The University will seek refund of any overpayment by September 15, 2008.

Cash Receipts

Finding 11

Adequate internal control had not been established over collections.

Recommendation 11

We recommend that all checks be restrictively endorsed “for deposit only” immediately upon receipt, and all collections be adequately secured prior to subsequent processing

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and deposit. Additionally, we recommend that UB deposit all collections timely, as required.

Response 12

University of Baltimore is currently endorsing all checks “for deposit only” upon receipt. All checks are adequately secured and promptly deposited.

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