

Audit Report

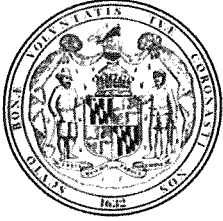
**University System of Maryland
University of Maryland Baltimore County**

May 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

Karl S. Aro
Executive Director

May 8, 2012

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 University System of Maryland (USM) – University of Maryland Baltimore County (UMBC) for the period beginning October 1, 2008 and ending June 30, 2011. UMBC is a comprehensive public research institution of USM. UMBC offers a broad range of baccalaureate, graduate, and doctoral programs in the liberal arts, sciences, and engineering disciplines.

Our audit disclosed that UMBC had not established sufficient procedures and controls to ensure that all registered students were charged the applicable tuition and fees due to a system functionality issue. As a result, we noted that certain students were not billed and, in some cases, also received improper refunds. In addition, certain corporate card transactions were not adequately monitored, resulting in a number of questionable transactions.

Additionally, we noted that internal control and record keeping deficiencies existed in the areas of payroll, corporate purchasing cards, grant account receivables, and revolving fund accounts.

An Executive Summary of our findings can be found on page 5. The response from the USM Office, on behalf of UMBC, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by UMBC.

Respectfully submitted,

A handwritten signature in black ink that reads "Bruce A. Myers".

Bruce A. Myers, CPA
Legislative Auditor

Table of Contents

Executive Summary	5
Background Information	7
Agency Responsibilities	7
Status of Findings From Preceding Audit Report	7
Findings and Recommendations	9
Student Account Receivables	
Finding 1 – UMBC Had Not Established Adequate Controls to Ensure All Students Were Charged the Proper Tuition and Fees	9
Finding 2 – Required Review and Approval of Non-Cash Adjustments Were Not Always Performed	10
Payroll	
Finding 3 – Controls Were Not Adequate Over the Processing of Salary Adjustments	11
Finding 4 – UMBC Did Not Investigate Employees Appearing on Multiple State Payrolls	11
Finding 5 – UMBC Did Not Ensure Sabbatical Leave Work Reports Were Submitted in Accordance With Its Policy	12
Corporate Purchasing Cards	
* Finding 6 – UMBC Did Not Adequately Monitor Purchases and Did Not Always Comply With Related Policies and Procedures	13
Grants	
Finding 7 – Collection Efforts for Grant Receivables Were Inadequate	15
Revolving Fund Accounts	
Finding 8 – Written Plans Had Not Been Established to Eliminate Deficit Balances in Certain Revolving Fund Accounts	16
Audit Scope, Objectives, and Methodology	19
Agency Response	Appendix

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

Executive Summary

**Legislative Audit Report on the University System of Maryland
University of Maryland Baltimore County (UMBC)
May 2012**

- **UMBC did not establish proper controls to ensure that all students were charged for applicable tuition and fees resulting in certain students not being billed and, in some cases, improperly receiving refunds.**

UMBC should establish procedures to ensure applicable tuition and fees are charged, identify all instances in which tuition and fees were not charged, and take appropriate corrective actions.

- **Internal controls were not adequate to ensure that salary adjustments were proper and that sabbatical leave work reports were submitted as required.**

UMBC should ensure salary adjustments are independently approved and enforce its established sabbatical leave policy.

- **Certain corporate purchasing card transactions were not adequately monitored, resulting in a number of questionable purchases. Other card purchases were split into smaller purchases to avoid individual transaction spending limits.**

UMBC should establish adequate controls over corporate purchasing card transactions and comply with the Comptroller of the Maryland's *Corporate Purchasing Card Program Policy and Procedures Manual*.

- **Internal control and recordkeeping deficiencies were noted in the areas of grants receivable and revolving fund accounts.**

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

Background Information

Agency Responsibilities

The University of Maryland Baltimore County (UMBC) is a comprehensive public research institution of the University System of Maryland and operates under the jurisdiction of the System's Board of Regents. UMBC offers a broad range of baccalaureate, graduate, and doctoral programs in the liberal arts, sciences, and engineering disciplines. Student enrollment for the Fall 2010 semester totaled 12,888, including 10,210 undergraduate students and 2,678 graduate/doctoral students. According to State records, during fiscal year 2011, UMBC revenues totaled approximately \$371 million of which \$100 million was derived from tuition and fees, \$95 million was received as restricted revenue (federal, state, and private grants), and \$91 million was received based on an appropriation from the State's General Fund. UMBC expenditures for fiscal year 2011 totaled approximately \$355 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the nine findings contained in our preceding audit report dated August 6, 2009. We determined that UMBC satisfactorily addressed seven of the aforementioned nine findings. The remaining two findings are repeated in this report, but have been combined into one finding.

Findings and Recommendations

Student Accounts Receivable

Finding 1

UMBC had not established adequate internal controls to ensure that tuition and fees were charged to all registered students.

Analysis

Adequate internal controls had not been established to ensure tuition and fees were recorded on the accounts of all students who were registered for classes. According to UMBC records, during fiscal year 2011, tuition and fee revenue totaled approximately \$100 million. Specifically, UMBC uses an automated process to apply tuition and fee charges; however, we noted that the system did not always record these charges on each student's account. In this regard, our test of student refunds disclosed one student who was registered for class but who was not charged tuition and fees for the Spring 2011 semester (tuition and fees that should have been charged were approximately \$8,000). Due to the receipt of financial aid, this student was also given a refund for that semester totaling approximately \$10,800.

UMBC management indicated it was aware of the problem, but had not been able to resolve the issue within the system. We were further advised that an output report from the system to identify these errors was generated; however, no such reports were available to support this claim or to indicate that a supervisory review had occurred. At our request, UMBC generated an output report using the same query language that had previously been used to identify possible errors. The resultant report identified 239 students during the Summer 2009 semester through the Fall 2011 semester. We selected 47 of the aforementioned 239 student accounts to determine if tuition and fee charges were properly applied. Our test disclosed 3 additional students that were not charged tuition and fees for the Spring or Fall 2011 semesters, which also resulted in one student receiving a refund totaling approximately \$9,800. The remaining 44 students tested were properly charged tuition and fees or were not registered for the semesters tested.

Failure to ensure that all tuition and fees are properly charged could result in a loss of revenue or in refunds being improperly issued.

Recommendation 1

We recommend that UMBC

- a. investigate the cause of the aforementioned error and take appropriate corrective action;**

- b. establish procedures to ensure output reports of tuition and fee calculation errors are reviewed and documented by supervisory personnel; and**
- c. determine the full extent of the problem and take appropriate action, such as recoupment of funds, regarding cases in which students were not charged tuition and fees, including the specific cases noted above.**

Finding 2

Required independent review and approval of non-cash credit adjustments made to student accounts were not always performed.

Analysis

UMBC had not established adequate internal controls over the processing of non-cash credit adjustments made to student accounts. We noted non-cash credit adjustments recorded in the automated student accounts receivable system were not always subject to an independent review and approval by supervisory personnel as required by UMBC procedures. Our test of 18 non-cash credit transactions processed during fiscal years 2010 and 2011, totaling \$186,000 disclosed, that for 10 transactions totaling \$134,000, there was no documentation to substantiate that the transactions had been reviewed and approved by supervisory personnel. Furthermore, the employees responsible for reviewing and approving non-cash credits also had the capability to record non-cash credits. Finally, although UMBC had the ability to generate an output report of non-cash credits, such reports were not consistently generated in order to facilitate an independent supervisory review and approval of all non-cash credits processed.

While our tests did not disclose any transactions that appeared improper, these deficiencies could allow unauthorized transactions to be processed and not be readily detected. According to UMBC records, during fiscal year 2011, non-cash credit adjustments recorded to student accounts totaled approximately \$17.4 million.

Recommendation 2

We recommend that UMBC

- a. ensure that all non-cash credit adjustments are reviewed and approved by an independent supervisory employee to verify that the adjustments were supported and properly authorized, and**
- b. ensure that these supervisory reviews are documented and retained for future reference.**

Payroll

Finding 3

Internal controls over UMBC's automated human resource and payroll systems need to be improved.

Analysis

UMBC did not establish adequate internal controls over its automated human resource and payroll system. Specifically, the employee who was responsible for approving all salary adjustments had the capability to initiate the same adjustments. These adjustments included, for example, other miscellaneous earnings which, according to UMBC's records, totaled approximately \$2.3 million during fiscal year 2011. As a result, unauthorized payroll payments could be processed without detection. According to the State's records, during fiscal year 2011, salaries and fringe benefits totaled approximately \$207 million.

Recommendation 3

We recommend that the capability to make payroll adjustments on UMBC's automated human resource and payroll system be removed from the individual who approves these adjustments.

Finding 4

UMBC did not investigate employees appearing simultaneously on multiple State payrolls.

Analysis

Although UMBC received quarterly reports from the Comptroller of Maryland's Central Payroll Bureau (CPB) of UMBC employees that appeared simultaneously on multiple State payrolls (for example, worked for both UMBC and another State agency), UMBC did not investigate employees appearing on the reports to ensure the propriety of the payroll payments for simultaneous periods worked.

During fiscal year 2011, a total of 126 UMBC employees appeared on UMBC's and other State agency payrolls. Payments made by UMBC and other State agencies to these employees during the same pay periods totaled approximately \$1.9 million. The appearance of these employees does not necessarily indicate a problem since there may not have been overlapping hours worked at UMBC and the other State agencies. However, our review of timesheets for 10 of these UMBC employees did identify 1 employee, who taught at UMBC and was also employed on a full-time basis by another State agency, with numerous instances where the daily hours worked at both locations overlapped. Specifically, our

review of time sheets for this employee for the period of June 2010 to December 2010 disclosed 51 occurrences totaling 143.5 overlapping hours for which related payments by UMBC totaled approximately \$10,500.

CPB issues quarterly reports to State agencies that identify employees appearing simultaneously on multiple State payrolls. CPB has directed State agencies to investigate all employees appearing on the reports to ensure that they were not claiming hours for multiple jobs during the same time periods.

Recommendation 4

We recommend that UMBC

- a. review the quarterly CPB reports and properly investigate all employees appearing on multiple State payrolls;**
- b. take appropriate corrective action (such as recovering overpayments made to employees) when overlapping hours are identified, including the instances noted above; and**
- c. retain documentation of the investigations performed.**

Finding 5

UMBC did not ensure sabbatical leave work reports were submitted as required.

Analysis

UMBC did not ensure that its faculty members submitted required work summary reports in support of authorized sabbatical leave in a timely manner. Our review of four faculty members who took authorized sabbatical leave during fiscal years 2010 and 2011 disclosed that none of these faculty members submitted the required reports to UMBC within three months of returning from sabbatical leave, as required. Although three of the faculty members submitted a report at a later date, the submissions did not occur until after our inquiries. Delays in submitting the reports ranged from 74 to 227 days late. The remaining faculty member's report, which was due on May 21, 2010, was still outstanding as of September 1, 2011 a delay of 468 days. Additionally, the Provost office's records indicate that for the period January 2010 through June 2011, an additional 30 faculty members were required to submit sabbatical reports and that 28 reports were not submitted timely, with 24 of the reports still outstanding as of September 1, 2011. Delays in submitting these work reports ranged from 80 to 468 days late, as of September 1, 2011. As a result of not submitting the required report, UMBC had insufficient assurance that the proposed work was performed by the faculty member.

The USM *Policy on Sabbatical Leave* states that the primary purpose of sabbatical leave is to provide faculty members an opportunity to increase his or her contribution to the mission of the institution and enhance his or her standing in the related discipline or profession. According to the UMBC *Policy on Sabbatical Leave for Faculty*, sabbatical leave may be granted for one 5-month or 6-month period on full pay, or for one 10-month or 12-month period on one-half pay. The *Policy* also states that within three months of returning from sabbatical leave, a faculty member must file a summary report of their sabbatical activities, including a review of their work while on leave, a statement of publications prepared or anticipated, and a self-assessment of the success of their leave. The summary report is to be sent by the faculty member to their Department Chairperson, the Department Dean, and the Provost.

Recommendation 5

We recommend that UMBC establish monitoring procedures to ensure that required reports are submitted timely regarding the use of sabbatical leave in compliance with the aforementioned UMBC *Policy*.

Corporate Purchasing Cards

Finding 6

UMBC did not adequately monitor corporate purchasing card purchases and did not always comply with related policies and procedures.

Analysis

UMBC lacked adequate controls over its corporate purchasing cards (CPC). According to the bank's records, as of June 30, 2011, corporate purchasing cards had been issued to 265 employees, and the related expenditures totaled approximately \$14.9 million during fiscal year 2011. Our review disclosed the following conditions:

- CPC purchases were not always thoroughly reviewed by supervisory personnel. Our review disclosed that for two employees, even though a supervisor approved the related activity, the monthly cardholder activity logs did not include all of the purchases, and purchases were not always supported by a bank statement or vendor invoice. As a result, a number of questionable transactions were noted for these employees. For example, we noted one of these employees had purchased gift cards totaling approximately \$4,400 which were not supported. However, UMBC policy specifically prohibits the purchase of gift cards with purchasing cards. Furthermore, UMBC obtained an exemption from the Comptroller of Maryland's General Accounting

Division (GAD) from requiring the fiscal officer to review the monthly cardholder activity logs, which would have provided a secondary review of the CPC transactions.

After we brought these issues to UMBC's attention, UMBC initiated an investigation of the employees' CPC transactions. As a result of these investigations, UMBC identified a number of additional questionable purchases made by both employees and referred these matters to the Office of the Attorney General – Criminal Division for further investigation. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed. We were advised that the two employees identified as making questionable purchases either had resigned or had been terminated.

- Our test of purchases from 13 vendors, totaling approximately \$128,000 made with corporate purchasing cards on individual days during the period from July 2010 through April 2011, disclosed 2 instances, totaling approximately \$22,000, in which transactions appeared to have been split into smaller purchases to avoid the single transaction spending limit of \$5,000 and/or to avoid more stringent procurement requirements. A similar condition was commented on in our preceding audit report.
- UMBC repeatedly procured campus renovation services, totaling approximately \$295,000, from one vendor during fiscal years 2009 to 2011 without soliciting competitive bids and entering into a written contract, as required. In this regard, most of the purchases from this vendor were made using the corporate purchasing card and were valued at \$5,000 or less (which do not require formal competitive bids). Since the purchases were not consolidated, UMBC's leverage as a high-volume purchaser may not have been maximized. A similar condition, with the same vendor, was commented upon in our preceding audit report. The USM *Procurement Policies and Procedures* requires that contracts for goods or services of \$5,000 or more be awarded based on competitive bidding.

The Comptroller of Maryland's *Corporate Purchasing Card Program Policy and Procedures Manual* requires that cardholder activity logs be independently reviewed and approved. In addition, there are UMBC policies requiring the periodic review of credit card activity and prohibiting splitting purchases to avoid approvals.

Recommendation 6

We recommend that UMBC improve its oversight of CPC activity.

Specifically, we recommend that

- a. all CPC activity be thoroughly reviewed by a supervisor and that UMBC consider having a secondary review performed by a fiscal officer at least on a test basis to ensure that all purchases are proper and supported by vendor invoices,**
- b. purchasing card transactions not be split to circumvent controls (repeat), and**
- c. procurements of ongoing services be consolidated to maximize buying power when possible and ensure that these procurements comply with the *USM Procurement Policies and Procedures* (repeat).**

Grant Receivables

Finding 7

Adequate collection efforts were not performed for outstanding grant receivables, and delinquent accounts were not transferred to the Department of Budget and Management's Central Collection Unit (CCU), as required.

Analysis

UMBC did not adequately pursue collection of outstanding grant reimbursement requests, and delinquent accounts were not transferred to CCU, as required. The grants receivable consisted primarily of amounts due from governmental agencies and private corporations for sponsored research. Our review disclosed the following conditions:

- Written payment demands for outstanding grant reimbursement requests were not sent to the appropriate grantor agencies at predetermined intervals. We were advised by UMBC management that after the initial billings, telephone contact with the agencies was generally used to request payment. As of June 30, 2011, there were 78 delinquent grant accounts with balances greater than \$1,000, totaling approximately \$3.1 million that had been outstanding for periods ranging from approximately 4 to 91 months, and none of the accounts had been transferred to CCU. Delays in the pursuit of outstanding debts may decrease the likelihood of collecting the funds.
- Our review of the accounts for 2 grantors, which encompassed a total of 14 projects with outstanding balances totaling \$968,000 in the aggregate, disclosed that for 5 of the projects, UMBC was unable to provide adequate support as to the propriety of the balances.

- As of June 30, 2011, there were 21 accounts that had negative grant receivable balances totaling \$286,000 that had not been properly investigated and resolved.

CCU regulations generally require that three written demands for payment be made on accounts at 30-day intervals and that outstanding accounts be transferred to CCU for further collection efforts within 75 days of the original demand for payment. According to UMBC records, grant receivables totaled approximately \$6.6 million as of June 30, 2011.

Recommendation 7

We recommend that

- a. written payment demands be sent to the applicable grantor agencies;**
- b. delinquent accounts be transferred to CCU in accordance with State regulations; and**
- c. outstanding grant receivable balances, including those with negative balances, be investigated to ensure the propriety of all amounts and be properly supported.**

Revolving Fund Accounts

Finding 8

UMBC did not establish written plans to eliminate deficit balances in certain revolving fund accounts.

Analysis

UMBC did not establish written plans to eliminate deficit balances in revolving fund accounts. Our test of 10 revolving fund accounts, with deficit balances totaling approximately \$1.6 million as of June 30, 2011, disclosed that written plans had not been established as of October 2011 to address the deficit balances for any of the accounts. According to UMBC's records, the negative balances in 5 of the 10 accounts have existed since before fiscal year 2009. For example, one scholarship revolving fund account, which had a deficit balance of \$136,962 as of June 30, 2011, has had a deficit balance since fiscal year 2008. As of June 30, 2011, UMBC had 211 revolving fund accounts with net balances totaling approximately \$13.3 million, of which 50 accounts had deficit balances totaling approximately \$2.0 million. Since deficit balances exist in these accounts, UMBC has had to use other funds, that would otherwise be available for investment purposes, to cover the deficits.

Recommendation 8

We recommend that UMBC establish written plans to eliminate the deficit balances in the aforementioned revolving fund accounts, as well as any other accounts with large deficit balances.

Audit Scope, Objectives, and Methodology

We have audited the University System of Maryland (USM) – University of Maryland Baltimore County (UMBC) for the period beginning October 1, 2008 and ending June 30, 2011. 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 State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine UMBC's financial transactions, records and internal controls, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings included 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, but were not limited to, purchases and disbursements, student accounts receivable, cash receipts, payroll, auxiliary enterprises/services, information security over UMBC computer applications, and student financial aid. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observations of UMBC'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 UMBC by the USM Office. These support services are included within the scope of our audit of the USM Office. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of UMBC'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 UMBC.

UMBC'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 relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect UMBC'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 UMBC that did not warrant inclusion in this report.

The response to our findings and recommendations from the USM Office, on behalf of UMBC, 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

April 30, 2012

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

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University of Maryland,
Baltimore

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University of Maryland,
College Park

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Bowie State University

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Towson University

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University of Maryland
Eastern Shore

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Frostburg State University

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Coppin State University

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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

RE: University System of Maryland –
University of Maryland, Baltimore County
Period of Audit: October 1, 2008
Through June 30, 2011

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 Maryland, Baltimore County. Our comments refer to the individual items in the report.

Sincerely,

A handwritten signature in black ink that reads "WE Kirwan".

William E. Kirwan
Chancellor

WEK:mk
Enclosures

cc: Dr. Freeman A. Hrabowski, President, UMBC
Mrs. Patricia S. Florestano, Chair, Board of Regents
Mr. Anwer Hasan, Chairman, MHEC
Dr. Danette Howard, Interim Secretary of Higher Education, MHEC
Mr. Robert Page, Comptroller, USM Office
Mr. David Mosca, Director of Internal Audits, USM Office

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Student Accounts Receivable

Finding 1

UMBC had not established adequate internal controls to ensure that tuition and fees were charged to all registered students.

Recommendation 1

We recommend that UMBC

- a. investigate the cause of the aforementioned error and take appropriate corrective action;**
- b. establish procedures to ensure output reports of tuition and fee calculation errors are reviewed and documented by supervisory personnel; and**
- c. determine the full extent of the problem and take appropriate action, such as recoupment of funds, regarding cases in which students were not charged tuition and fees, including the specific cases noted above.**

Response 1

We concur.

- a. We have investigated the cause of the error cited in the report and are working on a solution to resolve the issue; UMBC's Office of Student Business Services, the Division of Information Technology and the Registrar's Office are involved in this effort.
- b. UMBC's Office of Student Business Services has existing procedures that generate output reports of tuition and fee calculation errors that will continue to be reviewed by supervisory personnel to ensure tuition calculations are accurate; documentation of these reviews will be retained in the files.
- c. UMBC has determined the full extent of the problem by identifying all student accounts that were not charged accurate tuition and fees, including the specific cases noted in the finding, and has taken the appropriate action inclusive of recoupment of funds, where applicable.

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Finding 2

Required independent review and approval of non-cash credit adjustments were not always performed.

Recommendation 2

- a. ensure that refunds and non-cash credit adjustments are reviewed and approved by an independent supervisory employee to verify that the adjustments were supported and properly authorized; and
- b. ensure that these supervisory reviews are documented and retained for future reference.

Response 2

We concur.

- a. UMBC will ensure that all non-cash credit adjustments are reviewed by an independent supervisory employee going forward.
- b. The reviews will be documented and retained for future reference.

Payroll

Finding 3

Internal controls over UMBC's automated human resource and payroll systems needs to be improved.

Recommendation 3

We recommend that the capability to make payroll adjustments on UMBC's automated human resource and payroll system be removed from the individual who approves these adjustments.

Response 3

We concur.

The individual who approves these adjustments no longer has the capability to make payroll adjustments on UMBC's automated human resource and payroll system.

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Finding 4

Procedures and controls to investigate payments made to UMBC employees appearing on multiple State payrolls need improvement.

Recommendation 4

We recommend that UMBC

- a. review the quarterly CPB reports and properly investigate all employees appearing on multiple State payrolls;**
- b. take appropriate corrective action (such as recovering overpayments made to employees) when overlapping hours are identified, including the instances noted above; and**
- c. retain documentation of the investigations performed;**

Response 4

We partially concur.

While we recognize the need to identify instances of employees appearing on multiple State payrolls, UMBC believes that the expectation for monitoring and investigating dual employment, as well as any required corrective action, should rest with the primary State agency. We also believe improvements to CPB reports are required in order for UMBC to conduct due diligence. We are actively working with USM officials to achieve these improvements.

- a. Employees appearing on multiple State payrolls on the quarterly CPB reports are now being properly investigated.
- b. We will take appropriate corrective action when overlapping hours are identified. In the instance noted in the report, we have determined that the faculty member satisfied our requirements.
- c. Documentation of the investigations performed will be retained.

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Finding 5

UMBC did not ensure sabbatical leave work reports were submitted as required.

Recommendation 5

We recommend that UMBC establish monitoring procedures to ensure that required reports are submitted timely regarding the use of sabbatical leave in compliance with the aforementioned UMBC *Policy*.

Response 5:

We concur.

Effective with sabbatical reports due December 1, 2011, UMBC has put into place monitoring procedures to ensure that required documentation is submitted timely for the use of sabbatical leave in compliance with the aforementioned UMBC Policy. The 24 reports that were outstanding as of September 1, 2011, have been received. In addition, all reports due for the fall 2011 semester have been submitted.

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Corporate Purchasing Card

Finding 6

UMBC did not adequately monitor corporate purchasing card purchases and did not always comply with related policies and procedures.

Recommendation 6

We recommend that UMBC improve its oversight of CPC activity. Specifically, we recommend that

- a. all CPC activity be thoroughly reviewed by a supervisor and that UMBC consider having a secondary review performed by a fiscal officer at least on a test basis to ensure all purchases are proper and supported by vendor invoices,**
- b. purchasing card transactions not be split to circumvent controls (repeat);**
- c. procurements of ongoing services be consolidated to maximize buying power when possible and ensure that these procurements comply with the *USM Procurement Policies and Procedures* (repeat).**

Response 6

We partially concur.

- a. UMBC will mandate that all CPC supervisors attend CPC refresher training to reinforce requirements for supervisory review. Furthermore, within our Management Advisory Services Department, we have established new analytical procedures that will enable early detection of questionable purchases; therefore, we find a secondary review by a fiscal officer would be duplicative.
- b. UMBC will further emphasize guidance on split purchases in its CPC training to help ensure purchasing card transactions are not being split to circumvent controls (repeat). Our Management Advisory Services Department also reviews bank reports on potential split purchases and investigates each instance with the applicable department with corrective action taken, as necessary.
- c. Procurements of ongoing services will be consolidated to maximize buying power when possible and we will ensure that these procurements comply with the *USM Procurement Policies and Procedures* (repeat). Furthermore, UMBC has put a contract in place that addresses the instance noted in the finding. Our Management Advisory Services Department also reviews bank reports to identify frequently used vendors and notifies Procurement on instances in which a procurement should be considered.

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Grant Receivables

Finding 7

Adequate collection efforts were not performed for outstanding grant receivables, and delinquent accounts were not transferred to the Department of Budget and Management's Central Collection Unit (CCU), as required.

Recommendation 7

We recommend that

- a. written payment demands be sent to the applicable grantor agencies; and**
- b. delinquent account be transferred to CCU in accordance with State regulations and**
- c. outstanding grant receivable balances, including those with negative balances be investigated to ensure the propriety of all amounts and be properly supported.**

Response 7

We concur.

- a. Accounts determined to be valid and delinquent during our investigation of all grant receivable balances will receive written payment demands through our dunning letter process.
- b. When appropriate, we will transfer the accounts to CCU per State regulations.
- c. UMBC is currently investigating all outstanding grant receivable balances, including those with negative balances to ensure all amounts represent valid claims and are properly supported.

RESPONSE TO THE LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
FOR THE PERIOD OCTOBER 1, 2008 – JUNE 30, 2011

Revolving Fund Accounts

Finding 8

UMBC did not establish written plans to eliminate deficit balances in certain revolving fund accounts.

Recommendation 8

We recommend that UMBC establish written plans to eliminate the deficit balances in the aforementioned revolving fund accounts, as well as any other accounts with large deficit balances.

Response 8:

We concur.

Written plans to eliminate deficit balances in revolving fund accounts will be documented by August 2012. Ongoing reviews of deficit account balances will be performed by the UMBC Financial Services office.

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