

Audit Report

Baltimore City Community College

February 2022



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

February 9, 2022

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Baltimore City Community College (BCCC) for the period beginning November 30, 2016 and ending November 30, 2020. 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 that BCCC did not require or obtain a review of the automated system used by its vendor responsible for processing student refunds, to ensure that sensitive student information residing on the system was properly safeguarded. In addition, BCCC had not established sufficient controls over significant aspects of its financial aid award and record keeping processes.

Furthermore, BCCC was unable to provide adequate documentation to support the propriety of a \$72,700 payroll adjustment that increased the payments made to a senior BCCC management employee. In addition, BCCC overpaid another employee \$8,900 due to an undetected adjustment miscalculation.

Our audit also disclosed that BCCC did not always adhere to State procurement regulations regarding competitive procurement solicitations, obtaining Board of Public Works approval of contracts, and publicizing bid solicitations and contract awards. In addition, contract invoices were not always adequately verified. Furthermore, BCCC did not comply with State law and, during the period of this audit, Department of Information Technology policies for the procurement and monitoring of its two resource sharing agreements.

Effective July 1, 2021, State law exempts BCCC from most provisions of State procurement law, as well as State oversight of its Information Technology (IT) policies, standards, and procurements. The law also effectively exempts BCCC from Department of Information Technology oversight of its resource sharing agreements. However, the law requires BCCC to develop procurement policies and procedures that promote the purposes of State procurement law, and an IT plan that includes IT policies and standards that are functionally compatible with the statewide IT master plan and BCCC's strategic plan. In light of the aforementioned findings relating to procurement and resource sharing agreements, we deem it essential for good governance that BCCC's newly developed procurement policies and procedures and IT plan include the controls addressed in our recommendations relating to those findings, and that BCCC's Board of Trustees be provided a formal oversight function.

We also noted that adequate safeguards were not in place to protect BCCC's computer network and related administrative systems from security risks. Sensitive personally identifiable information (PII) maintained by BCCC was stored in a manner that made the information vulnerable to improper disclosure and malware protection for BCCC computers was not sufficient to provide adequate assurance that these computers were properly protected.

Finally, we found that BCCC did not conduct physical inventories of equipment and did not maintain complete equipment records as required.

Our audit included a review to determine the status of the eight findings contained in our preceding audit report. We call your attention to our determination that BCCC satisfactorily addressed six of these findings. The remaining two findings, including a finding related to the safeguarding of PII, are repeated in the report.

BCCC's response to this audit is included as an appendix to this report. In accordance with State law, we have reviewed the response and while BCCC generally agrees with the recommendations we identified certain instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within the response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with BCCC. Additionally, we have edited BCCC's response to remove certain vendor names or products and certain detailed information regarding information systems security, as allowed by our policy.

We wish to acknowledge the cooperation extended to us during the audit by BCCC and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized 'G' and 'H'.

Gregory A. Hook, CPA
Legislative Auditor

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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 degrees and certificate programs across the areas of behavioral and social sciences, pre-health professions, business, visual and performing arts, and STEM (science, technology, engineering, and mathematics). The degrees and certificates offered allow students to graduate and enter the workforce as well as continue their education at four-year institutions. BCCC has one main campus, and three additional educational locations. BCCC's reported full-time equivalent enrollment for credit courses in the spring 2020 semester was 1,102. According to the State's accounting records, BCCC's fiscal year 2020 revenues totaled approximately \$69.8 million, which included a State General Fund appropriation of approximately \$40.1 million.

Financial Statement Audits

BCCC engaged an independent accounting firm to perform audits of its financial statements and those of its associated foundation, for the fiscal years ended June 30, 2017, 2018, 2019, and 2020. In the related audit reports, the firm stated that BCCC's and its foundation's (referred to as "discretely presented unit") financial statements presented fairly, in all material respects, the respective financial position of BCCC and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Procurement Law and Information Technology Exemptions

Chapter 732, Laws of Maryland 2021, effective July 1, 2021 exempts BCCC from most provisions of State procurement law and from State oversight of its (1) information technology (IT) policies, standards, and procurement and (2) capital improvement and service contracts valued at \$500,000 or less. The law further provides that, subject to review and approval of the Board of Public Works, BCCC must develop policies and procedures governing procurement by the college, including those governing conflict of interest issues. The policies and procedures must promote the purposes of State procurement law.

The law requires the BCCC Board of Trustees to also develop an IT plan that includes IT policies and standards that are functionally compatible with the

statewide IT master plan and BCCC's strategic plan. The law would also exempt BCCC from oversight from the Department of Information Technology regarding resource sharing agreements.

Due to the effective date of the referenced legislation, which was subsequent to our audit period, our review of BCCC operations included the activities prior to the implementation of the aforementioned legislation.

Resource Sharing Agreements

On November 18, 2016, we issued a report on our *Special Review of Resource Sharing Lease Agreements* payments deposited into escrow accounts maintained outside of State control by a law firm. Under these agreements, three State agencies received compensation from telecommunication companies for the use of the State's communications infrastructure, such as the installation of private communication systems on State-owned towers. As a result of the concerns identified during the special review, we conducted a performance audit to evaluate the State's use and oversight of telecommunications resource sharing agreements between multiple State agencies and private companies.

On August 3, 2018, we issued a performance audit report on *Telecommunication Resource Sharing Agreements* which contained several additional findings related to BCCC. This report included a number of findings related to selected agencies, but emphasized the need for the Department of Information Technology to exercise greater oversight of the resource sharing agreements entered into by State agencies in general. The performance audit included the following select findings related to BCCC.

- BCCC did not verify that all monetary compensation was received,
- BCCC did not always include adequate provisions to protect State interests,
- BCCC allowed telecommunications companies to continue using State resources after agreements had expired,
- BCCC had not obtained Board of Public Works approval for resource sharing agreement renewals as required by State law.

BCCC agreed to the findings and recommendations in the August 2018 report. During our current audit we reviewed procedures and controls over BCCC's two resource sharing agreements. The related results of our review are included in finding 5.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the eight findings contained in our preceding audit report dated November 14, 2017. As disclosed in Figure 1, we determined that BCCC satisfactorily addressed six of these findings. The remaining two findings are repeated in this report.

Figure 1
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Baltimore City Community College's (BCCC) Facilities Planning and Operations Department circumvented State regulations in the procurement of certain goods and services. Based on our review, certain of these procurements and related payments appeared questionable.	Not repeated
Finding 2	Several BCCC employees shared their corporate purchasing cards, precluding effective accountability and control, and did not have required documentation to support certain payments.	Not repeated
Finding 3	BCCC granted salary incentives or increases totaling \$129,250 to four senior management positions without adequate justifications, including three increases that were not approved by its Board of Trustees.	Not repeated
Finding 4	BCCC did not maintain a current and comprehensive agreement with its affiliated foundation, as required. In addition, the most recent agreement did not contain any financial or operational goals and outcomes to be achieved by the foundation even though BCCC subsidized a significant percentage of the foundation's expenses during fiscal years 2015 and 2016.	Not repeated
Finding 5	Sensitive personally identifiable information maintained by BCCC was stored without adequate safeguards.	Repeated (Current Finding 6)
Finding 6	Malware protection for BCCC computers was not sufficient to provide BCCC with adequate assurance that its computers were properly protected.	Not repeated
Finding 7	BCCC did not immediately restrictively endorse checks and deposit collections timely at its Liberty Campus.	Not repeated
Finding 8	BCCC did not maintain complete and accurate equipment records, could not locate certain equipment, and could not document that it conducted physical inventories of equipment as required. In addition, 40 computers purchased several years ago were never placed into service.	Repeated (Current Finding 8)

Findings and Recommendations

Student Personal Information

Finding 1

Baltimore City Community College (BCCC) did not require or obtain a review of the automated system used by its vendor responsible for processing student refunds, to ensure that sensitive student information residing on the system was properly safeguarded.

Analysis

BCCC did not require or obtain an independent review of the automated system used by its vendor responsible for processing student refunds, to ensure that sensitive student information residing on the system was properly safeguarded. According to BCCC records, student refunds issued during fiscal year 2020 totaled approximately \$4.9 million. State law requires that a unit of State government, including a public institution of higher education, or a third-party service provider under contract with the unit, such as the aforementioned vendor, shall implement reasonable security procedures and practices to protect personal information.

Our review disclosed that BCCC's contract with its vendor did not require the vendor to obtain and formally report the results of any such review of the vendor's automated system. As a result, there is a lack of assurance that sensitive BCCC student information was being adequately safeguarded by the vendor. In an effort to meet its legal requirement to protect personal student information, the University System of Maryland (USM) requires all USM institutions in such circumstances to obtain and review a control assessment report based on a system review performed by a recognized independent audit organization. Although BCCC is not a USM institution, and is therefore not subject to USM policy requirements, the USM policy does provide several examples of reports BCCC could adopt in order to meet its legal obligation to protect student information, including reports recommended by the American Institute of Certified Public Accountants (AICPA).

The AICPA has issued guidance concerning examinations of service providers and issuance of System and Organization Controls (SOC) reports, including the SOC 2 Type 2 report. The SOC 2 Type 2 report contains the service organization's description of its system and the results of the auditor's examination of the suitability of the system design and operating effectiveness for the period under review, and can include an evaluation of system security, data

availability, processing integrity, confidentiality, and privacy trust services criteria.

Subsequent to our inquiries, BCCC obtained from the vendor a SOC 1, Type 2 report. However, SOC 1 reports are generally intended to focus on service organization controls relevant to financial reporting for user entities and would not provide BCCC the degree of assurances necessary for confirming the security of sensitive student information.

Recommendation 1

We recommend that BCCC comply with State law by requiring the vendor to obtain a formal control assessment report, such as a SOC 2 Type 2 report, and implement a process to obtain and review the results to ensure sensitive student information provided to the vendor is properly safeguarded.

Student Financial Aid

Finding 2

BCCC had not established sufficient controls over significant aspects of the financial aid award and record keeping processes within the financial aid office.

Analysis

BCCC had not established sufficient controls over significant aspects of the financial aid award and record keeping processes within the financial aid office. Specifically, BCCC did not conduct independent supervisory reviews of manual adjustments to financial aid awards. In addition, BCCC did not conduct independent supervisory reviews of the verifications of financial aid application data and satisfactory academic progress by financial aid recipients that were performed by financial aid office staff. As a result, there was a lack of assurance that these adjustments and verifications were properly performed and documented. Our test of financial aid awards, manual adjustments, and verifications did not disclose any material deficiencies.

The accuracy and validity of these processes are critical to ensuring the propriety of student financial aid awards, which during academic year 2019-2020 totaled approximately \$11.6 million. During fiscal year 2020, awards manually input into the financial aid system, and not subject to independent supervisory review and approval, totaled approximately \$1.0 million.

Recommendation 2

We recommend that BCCC ensure that manual adjustments to financial aid awards, as well as required verifications of financial aid application data and satisfactory academic progress by financial aid recipients are subject to independent supervisory review and approval.

Payroll

Finding 3

BCCC was unable to provide adequate documentation to support a payroll adjustment increasing a senior BCCC management employee's compensation by \$72,700. In addition, BCCC overpaid another employee \$8,900 due to an undetected adjustment miscalculation.

Analysis

BCCC was unable to provide adequate documentation to support the propriety of a \$72,700 adjustment that increased the payroll payments made to a senior management employee. In addition, BCCC overpaid another employee \$8,900 due to an undetected adjustment miscalculation. BCCC policy does not specifically address the documentation requirements (criteria) or the related departmental or executive approvals needed for payroll adjustments. However, we were verbally advised that adjustments are documented on a form for that purpose, which must be signed by the payroll employee processing the adjustment and approved by a payroll supervisor. We selected ten payroll adjustments¹ processed for ten employees between July 2018 and November 2020, and totaling \$327,500. Payroll adjustments (increasing employee salary compensation) totaled approximately \$3.0 million during our audit period. Our review disclosed the following conditions.

- BCCC could not provide documentation supporting an adjustment for \$72,700 paid to a senior management employee in July 2018 that was coded in BCCC's payroll records as a miscellaneous adjustment. BCCC could not provide us with documentation to justify the adjustment, and given the amount and employee's senior position, documentation that the BCCC Board of Trustees was advised and approved of the payment. During our audit, we made several requests for documentation supporting the dollar amount and the basis for this adjustment. As of October 2021, BCCC was unable to provide us with documentation to support the propriety of this payment.

¹ We selected significant adjustment amounts coded as miscellaneous or final pay.

- BCCC processed another adjustment totaling \$19,700 designated in the payroll records as a final leave payout to a professor of which we noted \$8,900 was an overpayment due to a miscalculation. Although this adjustment was approved by a payroll supervisor, the overpayment was not detected at that time, but discovered during our testing. Specifically, BCCC made an error when adjusting the amount of pay for an employee who worked 21 pay periods and was to be paid out over 26 pay periods.

Recommendation 3

We recommend that BCCC

- a. develop formal policies and procedures governing the criteria, documentation, and approvals (such as Board of Trustees) needed for adjustments;**
- b. ensure that all payroll adjustments are supported with adequate documentation and properly calculated; and**
- c. determine the propriety of the aforementioned unsupported payroll adjustments and take appropriate action to recover any amounts that cannot be supported.**

Procurements and Disbursements

Background

During the period from December 2016 through October 2020 BCCC issued 1,309 purchase orders for goods and services, with related payments totaling approximately \$26.3 million. We tested 12 procurements (generally selected based on dollar significance) made by BCCC during our audit period totaling \$6.1 million. We also reviewed BCCC's two resource sharing agreements valued at \$2.2 million (not included in the aforementioned totals).

In addition, we received a referral to our fraud, waste, and abuse hotline regarding concerns with BCCC's procurement of catering, information technology, and a summer youth program obtained from three vendors. As a result, we reviewed the procurement of the services from these vendors. Based on our review, we were able to substantiate the concerns raised in the allegation for two of the vendors, which are included in finding 4. However, the results of our review did not identify any issues that warranted a referral to the Office of the Attorney General – Criminal Division.

As noted in the Background Section under the heading "Procurement Law and Information Technology Exemptions", BCCC is now exempt from most State procurement laws and regulations, including the inherent controls and oversight.

Consequently, and in light of the findings noted below, we deem it essential for good governance that BCCC's newly developed procurement policies and procedures include similar controls to those required of other State agencies, and that the Board of Trustees be provided a formal oversight function.

Finding 4

BCCC did not always adhere to State procurement regulations regarding conducting competitive solicitations, obtaining Board of Public Works (BPW) approval of contracts, and the publication of bid solicitations and awards. In addition, contract invoices were not always adequately verified prior to payment.

Analysis

BCCC did not always adhere to State procurement regulations regarding performing competitive solicitations, obtaining BPW approval of contracts, and publicizing bid solicitations and awards. In addition, contract invoices were not always adequately verified.

- BCCC did not have documentation, such as solicitation and bid documents, to support the competitive procurement process for five procurements totaling \$167,000. In addition, BCCC could not provide a written contract or purchase order for two others valued at \$24,000 and \$75,000. Two of these vendors with procurements totaling \$75,000 and \$5,000 were included in the allegation to our fraud, waste, and abuse hotline.
- BCCC did not publish the solicitation and award of 3 of the 12 contracts totaling \$173,700 on *eMaryland Marketplace (eMM)*,² as required. One of these vendors with procurements totaling \$75,000 was included in the allegation to our fraud, waste, and abuse hotline.
- BCCC paid another of the 12 vendors tested, \$721,000 between January 2018 and August 2019 for information technology (IT) services without soliciting bids and obtaining BPW approval, as required. In July 2019 (18 months after payments to this vendor began), after subsequent submission to BPW, the Board retroactively approved the procurement as a sole source. Furthermore, our test of three invoices from this vendor totaling \$86,000 disclosed that BCCC could not document it verified invoiced rates to the rate schedule in the related contract documents to ensure amounts invoiced were proper.

² *eMM* is an Internet-based, interactive procurement system managed by the Department of General Services (DGS). Effective July 2019, DGS replaced *eMM* with *eMaryland Marketplace Advantage (eMMA)*.

- BCCC did not consolidate the procurement of catering services obtained from one vendor included in the allegation to our fraud, waste, and abuse hotline. Specifically, during the six months between September 2017 and February 2018 BCCC repeatedly procured services from this vendor totaling \$37,965 (including the aforementioned \$5,000 tested above). By not consolidating these procurements, BCCC circumvented certain enhanced requirements for contracts over \$15,000, and may not have obtained the most favorable pricing based on the requirement for a competitive procurement when contracts exceed \$15,000.

State procurement regulations generally applicable to BCCC during the audit period require that procurement files include all bids or offers received and a listing of every bidder or offeror solicited. The regulations also require the solicitation of bids for contracts in excess of \$15,000 to be published on *eMM* three days prior to the bid submission date, and twenty days prior to the bid submission date for contracts in excess of \$50,000. In addition, these regulations require the publication of contract awards over \$50,000 on *eMM* within thirty days after the contract execution and approval date. Finally, the regulations provide that procurements of contracts over \$200,000 in value and contract modifications over \$50,000 require BPW approval.

Recommendation 4

We recommend that BCCC ensure that

- a. contracts are awarded through a competitive procurement process as appropriate, and related documentation of the procurement be maintained;**
- b. all bid solicitation and award publishing requirements are adhered to;**
- c. contracts receive proper independent approval as applicable;**
- d. vendor invoices are correct by verifying invoice charges to contractual billing rates; and**
- e. purchases from vendors are consolidated to maximize the State's purchasing power.**

Finding 5

During our audit period, BCCC did not comply with State law and Department of Information Technology (DoIT) policies for the procurement and monitoring of its two resource sharing agreements (RSAs).

Analysis

BCCC did not comply with State law and DoIT policies for the procurement and monitoring of its two RSAs during the period of our audit. BCCC has a single

telecommunication tower located off campus on which it leases space to two telecommunication companies under lease agreements or RSAs.

- BCCC continued to use one RSA valued at \$473,000 after the initial agreement and all renewal options expired in 2008. Since the RSA was not renegotiated, payments were generally maintained at the level established during the final renewal period. Had the RSA been renegotiated using updated rates, additional revenue could have been earned. For example, using suggested rates developed by DoIT at the time, BCCC would have earned \$97,000 more than the \$112,000 paid by the telecommunication company during the period May 2017 to April 2021.
- BCCC did not advertise a new \$1.7 million RSA agreement on *eMM*, and did not submit the agreement to the General Assembly's Legislative Policy Committee (LPC) for review and approval, as required. In October 2020, BCCC entered into a five year RSA with one of the companies with three potential extensions of five years each valued at \$1.7 million, but did not first obtain approval for the agreement from DoIT.
- BCCC did not include certain critical provisions in its RSAs to ensure that BCCC received the appropriate compensation and was protected from liability. Specifically, the agreements did not include language to address BCCC's right to audit the records of the telecommunication companies and requirements for a security deposit or late fees. In addition, the agreements did not include language protecting BCCC from liability resulting from the private company's negligence.

State law applicable to BCCC during the audit period required that agencies advise DoIT of all RSA proposals so DoIT can determine the value of the proposal. DoIT's *Resource Sharing Agreements Program Policy* required proposals valued at more than \$100,000 be advertised on *eMM* for 30 days, be submitted by BCCC to the LPC for a 60-day review, and be subject to approval by BPW. DoIT's *Policy* also states that the existing use of an RSA that did not obtain the statutory reviews and approvals must be submitted to DoIT for review to determine the extent to which retroactive approval must be obtained.

Recommendation 5

We recommend that BCCC

- a. establish new agreements for any expired RSAs which include consideration of higher rates (for example, those suggested by DoIT);**

- b. consider widely advertising solicitations for RSAs and submit them to the appropriate authorities as determined by BCCC's policies, including the RSA noted above; and
- c. include all significant provisions in future RSAs, and modify its existing agreements to include those provisions to the extent allowed.

Information Systems Security and Control

Background

BCCC's Information Technology Services Division (ITSD) manages the development, maintenance, and support of BCCC's information and technology infrastructure including all related networking, telecommunications, and business information systems. ITSD maintains critical enterprise applications as well as departmental systems supporting student, human resource, and financial information systems.

Finding 6

Sensitive personally identifiable information (PII) was maintained without adequate safeguards and identification.

Analysis

Sensitive PII was maintained without adequate safeguards and identification. BCCC supported computer operations for multiple applications which processed such sensitive information, but without adequate protections. As of June 30, 2021, we determined that numerous applications' databases included a substantial number of unique sensitive information records which were maintained in a manner that made the information vulnerable to improper disclosure. BCCC personnel also advised us that this sensitive PII was not subject to other substantial mitigating security controls.

Furthermore, although BCCC had procedures for performing automated scanning of servers for PII identification, it had not manually inventoried its applications nor used the results of the scans to identify all stored sensitive PII across its entire IT environment, determined if it was necessary to retain the PII, and deleted PII identified as unnecessary. Detailed aspects of this finding were omitted from this report; however, the related detailed information, including a sensitive information record count, was previously shared with BCCC for purposes of implementing the following recommendations.

Similar conditions were commented upon in our preceding audit report. The State of Maryland *Information Technology Security Manual* requires that agencies

protect confidential data using adequate safeguards and/or other substantial mitigating controls.

Recommendation 6

We recommend that BCCC

- a. perform an inventory of all of its servers, identify all sensitive PII, and delete all unnecessary sensitive PII (repeat); and**
- b. implement appropriate information security safeguards for the sensitive PII it maintains (repeat).**

Finding 7

Malware protection controls for BCCC computers were not sufficient to provide adequate assurance that computers were properly protected from security risks.

Analysis

Malware protection for BCCC computers was not sufficient to provide adequate assurance that computers were properly protected from security risks. BCCC advised us that numerous software management consoles were reviewed to monitor malware protection software installation and operational status, software version, and signature updates. However, as of May 25, 2021, BCCC advised that documented reviews of these consoles had not been performed since September 2020. In addition, BCCC did not have malware protection software installed on all of its active computers. As of May 25, 2021, our review determined that 62 of 569 active computers did not have malware protection software installed.

Best practices as specified in State of Maryland *Information Technology Security Manual* state that agencies, at a minimum, must protect against malicious code (viruses, worms, Trojan horses) by implementing protections (anti-virus, anti-malware) that, to the extent possible, include a capability for automatic updates.

Recommendation 7

We recommend that BCCC ensure that malware protection software is installed and maintained on all computers by regularly monitoring related software management consoles to verify its computers' malware protection software status, document these reviews and adjustment actions, and retain this documentation for future reference.

Equipment

Finding 8

BCCC did not conduct physical inventories of equipment and did not maintain complete equipment records as required.

Analysis

BCCC did not conduct physical inventories of equipment and did not maintain complete equipment records as required. According to BCCC's records, its equipment inventory was valued at \$32.8 million as of June 30, 2020.

- Physical inventories of sensitive and non-sensitive equipment were not conducted since 2014. In February 2017, BCCC contracted with a third-party vendor to perform a complete physical inventory. However, due to a lack of adequate performance by the vendor, BCCC terminated the contract in February 2018. Since that time, no further attempts have been made to perform a physical inventory.
- BCCC's detailed equipment records were not complete. Our test of 10 purchases of 76 equipment items totaling \$54,000³, disclosed that 14 items, such as computers, totaling \$15,000 had not been recorded in the detail records. In addition, 58 items that were recorded in the records totaling \$37,000 did not include the specific location of the item (such as a room number) to enable effective control over the equipment.

Similar conditions were noted in our preceding audit report. The Department of General Services' *Inventory Control Manual* applicable to BCCC during the audit period requires that physical inventories be conducted for sensitive equipment items annually and for non-sensitive equipment items every three years and the results reconciled to the related detail records. Furthermore, the records should include all equipment purchases, as well as all relevant information, such as location.

Recommendation 8

We recommend that BCCC

- conduct timely periodic documented physical inventories of sensitive and non-sensitive equipment and reconcile the results to the detail inventory record (repeat), and**

³ The selection was made by analyzing equipment purchases and selecting purchases from vendors that had significant total payments from BCCC.

- b. ensure that the equipment records are maintained in a complete and accurate manner (repeat).**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit the Baltimore City Community College (BCCC) for the period beginning November 30, 2016 and ending November 30, 2020. 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 BCCC's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included purchases and disbursements, student accounts receivable, financial aid, cash receipts, payroll, corporate purchasing cards, equipment, resource sharing agreements, affiliated foundation, and information technology. Furthermore, we reviewed the procurement of certain contracts for catering, information technology, and a summer youth program regarding a referral received from our fraud, waste, and abuse hotline. We also determined the status of the findings contained in our preceding audit report.

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

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of November 30, 2016 to November 30, 2020, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of BCCC operations. Generally,

transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from BCCC's financial system for the purpose of testing certain areas, such as student accounts receivable. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to BCCC, were considered by us during the course of this audit.

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 BCCC'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 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.

APPENDIX



Office of the President

January 25, 2022

Mr. Gregory A. Hook, CPA
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201

Dear Mr. Hook:

The responses to the Fiscal Compliance Audit Report for Baltimore City Community College are attached.

The electronic transmittal of responses was previously sent on January 24, 2022. The attached document reflects what was communicated on January 24th.

On behalf of Baltimore City Community College, thank you for the comprehensive review of the College's financial transactions, internal controls, and the evaluation of our compliance with applicable State of Maryland laws.

Sincerely,

Debra L. McCurdy, PhD
President

Enclosures

cc: Kurt L. Schmoke, J.D., Chair, Board of Trustees, BCCC
Lyllis M. Green, Chief Internal Auditor

Baltimore City Community College

Agency Response Form

Student Personal Information

Finding 1

Baltimore City Community College (BCCC) did not require or obtain a review of the automated system used by its vendor responsible for processing student refunds, to ensure that sensitive student information residing on the system was properly safeguarded.

We recommend that BCCC comply with State law by requiring the vendor to obtain a formal control assessment report, such as a SOC 2 Type 2 report, and implement a process to obtain and review the results to ensure sensitive student information provided to the vendor is properly safeguarded.

Agency Response		
Analysis		
Please provide additional comments as deemed necessary.		
Recommendation 1	Agree	Estimated Completion Date: 1/31/2022
Please provide details of corrective action or explain disagreement.	BCCC has confirmed with our vendor that a SOC 2 Report is available and will be forthcoming. Going forward, BCCC will follow the process of obtaining and reviewing the automated system used by its vendors responsible for processing student refunds to ensure that sensitive student information residing on the system is properly safeguarded.	

Baltimore City Community College

Agency Response Form

Student Financial Aid

Finding 2

BCCC had not established sufficient controls over significant aspects of the financial aid award and record keeping processes within the financial aid office.

We recommend that BCCC ensure that manual adjustments to financial aid awards, as well as required verifications of financial aid application data and satisfactory academic progress by financial aid recipients are subject to independent supervisory review and approval.

Agency Response		
Analysis		
Please provide additional comments as deemed necessary.		
Recommendation 2	Agree	Estimated Completion Date:
		Implemented and ongoing
Please provide details of corrective action or explain disagreement.	BCCC will ensure that manual adjustments to financial aid awards, as well as required verifications of financial aid application data and satisfactory academic progress by financial aid recipients are subject to independent supervisory review and approval. The College has hired a third-party to conduct this review and will continue to utilize that third-party.	

Baltimore City Community College

Agency Response Form

Payroll

Finding 3
BCCC was unable to provide adequate documentation to support a payroll adjustment increasing a senior BCCC management employee's compensation by \$72,700. In addition, BCCC overpaid another employee \$8,900 due to an undetected adjustment miscalculation.

We recommend that BCCC

- a. develop formal policies and procedures governing the criteria, documentation, and approvals (such as Board of Trustees) needed for adjustments;
- b. ensure that all payroll adjustments are supported with adequate documentation and properly calculated; and
- c. determine the propriety of the aforementioned unsupported payroll adjustments and take appropriate action to recover any amounts that cannot be supported.

Agency Response		
Analysis		
Please provide additional comments as deemed necessary.	We expanded these procedures due to COVID and working remotely to ensure that the College is processing adjustments correctly.	
Recommendation 3a	Agree	Estimated Completion Date: Implemented and ongoing
Please provide details of corrective action or explain disagreement.	The noted adjustment and overpayment above occurred prior to the current administration. The College now requires management level approval on all payroll adjustments. This includes review by the HR Director, VP of Finance and Administration, and President prior to processing the adjustment.	
Recommendation 3b	Agree	Estimated Completion Date: Implemented and ongoing
Please provide details of corrective action or explain disagreement.	HR/Payroll created an adjustment process which includes supporting documentation for approval signatures.	
Recommendation 3c	Disagree	Estimated Completion Date:
Please provide details of corrective action or explain disagreement.	We will have to determine that the funds need to be recovered. Based on how faculty contracts are paid out, there were not any payments that were overpaid.	

Baltimore City Community College

Agency Response Form

Auditor's Comment: Although BCCC indicated that it disagreed with our recommendation to determine the propriety of the unsupported payroll adjustments and take action to recover amounts that cannot be supported; the plain language of its response indicated that it will have to determine that the funds need to be recovered. We will presume if BCCC determines that funds need to be recovered, preferably in consultation with its legal counsel, it will seek recovery.

Baltimore City Community College

Agency Response Form

Procurements and Disbursements

Finding 4

BCCC did not always adhere to State procurement regulations regarding conducting competitive solicitations, obtaining Board of Public Works (BPW) approval of contracts, and the publication of bid solicitations and awards. In addition, contract invoices were not always adequately verified prior to payment.

We recommend that BCCC ensure that

- a. contracts are awarded through a competitive procurement process as appropriate, and related documentation of the procurement be maintained;**
- b. all bid solicitation and award publishing requirements are adhered to;**
- c. contracts receive proper independent approval as applicable;**
- d. vendor invoices are correct by verifying invoice charges to contractual billing rates; and**
- e. purchases from vendors are consolidated to maximize the State's purchasing power.**

Agency Response		
Analysis		
Please provide additional comments as deemed necessary.	BCCC concurs with the findings and recommendations. Going forward, BCCC is in process of a procurement transformation due to new delegated authority approved up to \$500,000 by the General Assembly on July 1, 2021. Until formal approval on the College's procurement policy and procedures are given; the College's procurements shall abide by COMAR Title 21 until formal approval is received. Oversight of all procurements will be conducted by the Director of Procurement and Legal Counsel going forward to ensure compliance to state's procurement rules and regulations. Delegation of authority and approvals shall be established based on contract value and will be approved accordingly per statute.	
Recommendation 4a	Agree	Estimated Completion Date: 06/30/2022
Please provide details of corrective action or explain disagreement.	BCCC concurs with the recommendation. Contracts will be awarded through a competitive procurement process as appropriate, and related documentation of the procurement will be maintained.	
Recommendation 4b	Agree	Estimated Completion Date: Immediately and ongoing
Please provide details of corrective action or explain disagreement.	BCCC concurs with the recommendation. Contracts will receive proper independent approval as applicable. Independent approval will be made by BCCC's Board of Trustees and / or Board of Public Work as applicable.	

Baltimore City Community College

Agency Response Form

Recommendation 4c	Agree	Estimated Completion Date:	Immediately and ongoing
Please provide details of corrective action or explain disagreement.	BCCC concurs with the recommendation. Contracts shall include verifiable billing rates to validate invoice payment prior to payment being made. Additional documentation as evidence shall be required to validate payment to validate performance of work (e.g., timecards, proof of performance signed by College representative).		
Recommendation 4d	Agree	Estimated Completion Date:	Immediately and ongoing
Please provide details of corrective action or explain disagreement.	BCCC concurs with the recommendation. Effective immediately, all bid solicitations and contracts awards as required by COMAR Title 21 shall be posted on the state's official bid board, eMaryland Marketplace Advantage (eMMA).		
Recommendation 4e	Agree	Estimated Completion Date:	6/30/2022
Please provide details of corrective action or explain disagreement.	BCCC concurs with the recommendation. Review of current purchasing practices to determine the appropriate contracts to be established to maximize the purchasing power of the College. Increase utilization and participation of intergovernmental purchasing agreements, and the establishment of larger value and longer term contracts to increase the effectiveness and efficiencies of the operations of the College.		

Baltimore City Community College

Agency Response Form

Finding 5

During our audit period, BCCC did not comply with State law and Department of Information Technology (DoIT) policies for the procurement and monitoring of its two resource sharing agreements (RSAs).

We recommend that BCCC

- a. establish new agreements for any expired RSAs which include consideration of higher rates (for example, those suggested by DoIT);
- b. consider widely advertising solicitations for RSAs and submit them to the appropriate authorities as determined by BCCC's policies, including the RSA noted above; and
- c. include all significant provisions in future RSAs, and modify its existing agreements to include those provisions to the extent allowed.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5a	Agree	Estimated Completion Date:	October 2020 and ongoing
Please provide details of corrective action or explain disagreement.	BCCC concurs with the recommendation. One of the RSA agreements was renewed effective October 2020. The new agreement includes annual increases in rates. The other RSA is in the final stages of approval. It will be placed on BPW's agenda by DoIT once all signatures are obtained. Once BPW approves it, it will be finalized.		
Recommendation 5b	Disagree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	BCCC does not concur with the recommendation. The Tower currently is being used by the radio station and is being leased by two commercial tenants and one Federal Government tenant. The resources of the Tower are primarily present for the function of running the radio station. Additional solicitations are not necessarily possible as they depend on the resources available on the Tower.		

Auditor's Comment: BCCC disagreed with our recommendation to consider widely advertising solicitations for RSAs because the resources of the tower are primarily present for the functions of the radio station. Since the response also acknowledges that there are two commercial tenants, in addition to the federal government, using the tower, our recommendation is both reasonable and practicable to help ensure that tower revenue is maximized to BCCC's benefit. Consequently, we continue to believe that BCCC needs to consider advertising in the future to ensure that the best possible rates are received from commercial tenants.

Baltimore City Community College

Agency Response Form

Recommendation 5c	Agree	Estimated Completion Date:	Implemented and ongoing
Please provide details of corrective action or explain disagreement.	The RSA that is almost completed considered provisions to the extent possible. With respect to modifying existing agreements, our Legal Counsel advised that “the document cannot be amended without both parties’ agreement, and it is unclear why the lessee would agree to modifications at this point. Please note that the College sent the agreement to DoIT and they did not identify any problems with it.”		

Baltimore City Community College

Agency Response Form

Information Systems Security and Control

Finding 6

Sensitive personally identifiable information (PII) was maintained without adequate safeguards and identification.

We recommend that BCCC

- a. perform an inventory of all of its servers, identify all sensitive PII, and delete all unnecessary sensitive PII (repeat); and
- b. implement appropriate information security safeguards for the sensitive PII it maintains (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	There are no concerns with the factual accuracy.		
Recommendation 6a	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	BCCC will perform a manual inventory of the enterprise system servers annually to coincide with the daily scans of servers already in progress with automated scanning-based inventory since December of 2019. All unmarked files on the spreadsheet will be deleted by ITS upon the completion date.		
Recommendation 6b	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	BCCC will submit the collected PII inventory to the college's departments for review to determine required PII files that shall be retained for business purposes. PII files that shall be retained for business purposes and files marked as required will be safely recorded at the file system level to meet FIPS 140-2 compliance.		

Baltimore City Community College

Agency Response Form

Finding 7

Malware protection controls for BCCC computers were not sufficient to provide adequate assurance that computers were properly protected from security risks.

We recommend that BCCC ensure that malware protection software is installed and maintained on all computers by regularly monitoring related software management consoles to verify its computers' malware protection software status, document these reviews and adjustment actions, and retain this documentation for future reference.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The college has hired a CIO and Deputy CIO to begin in February that will cover the Approver role for the documented weekly malware review.		
Recommendation 7	Agree	Estimated Completion Date:	April 2022
Please provide details of corrective action or explain disagreement.	In October, BCCC began documenting a resolution matching the total number of domain computers against the total number of computers running malware protection software. Reviews and adjustment actions will be documented and retained for future reference.		

Baltimore City Community College

Agency Response Form

Equipment

Finding 8

BCCC did not conduct physical inventories of equipment and did not maintain complete equipment records as required.

We recommend that BCCC

- a. conduct timely periodic documented physical inventories of sensitive and non-sensitive equipment and reconcile the results to the detail inventory record (repeat), and
- b. ensure that the equipment records are maintained in a complete and accurate manner (repeat).

Agency Response		
Analysis		
Please provide additional comments as deemed necessary.	A full and complete inventory has not been completed, following attempts to have vendors assist, and the task has been too large to do in house. In the past, the excess property disposal process has not been fully utilized to dispose of furniture and equipment that are no longer usable. Instead, these items have been kept in storage areas for many years. We are now working on correcting these deficiencies.	
Recommendation 8a	Agree	Estimated Completion Date: November 2022
Please provide details of corrective action or explain disagreement.	The College has recently hired a Logistics Manager to oversee the Property Division. On September 15, 2021, AVP for Facilities and logistics staff attended a training with the Department of General Services (DGS) Property Manager in which the inventory and the excess property disposal declaration processes were discussed. On September 16, 2021, the logistics team met with the asset management company for training and implementation of the new inventory system software. The DGS Property Manager was invited to the meeting to review and ensure that the new inventory system meets the state's requirements for asset systems. The logistics teams are preparing to use new software to restart the entire comprehensive inventory of the campus once the asset system is approved by DGS. First, there are several areas where EPDs are required. On Friday, September 17, 2021, DGS Property Manager conducted a site visit to review areas with large amounts of property requiring disposal for possible bulk EPDs or setting up sale opportunities for Gov Deals.	

Baltimore City Community College

Agency Response Form

Recommendation 8b	Agree	Estimated Completion Date:	November 2022
Please provide details of corrective action or explain disagreement.	Once the new inventory is complete, the logistics team will perform monthly cycle checks so that a full inventory is completed on an annual basis. New items coming into shipping and receiving are currently being recorded properly, which includes the use of both the asset system and FMIS. There is also a future plan to implement the receiving function of the college's new ERP system which will be rolled out later this year.		

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