Audit Report

University System of Maryland
University of Baltimore

December 2021

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

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

December 3, 2021

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 University System of Maryland (USM) – University of Baltimore (UBalt)[1] for the period beginning September 13, 2016 and ending November 15, 2020. UBalt is an urban public institution offering a career-oriented education at the bachelor's, master's, and professional levels, with degree programs in law, business, and liberal arts with an emphasis on applied and professional degrees.

Our audit disclosed that UBalt did not require or obtain a sufficient independent review of the automated system used by its vendor responsible for collecting student online payments to ensure that sensitive student information residing on the system was properly safeguarded. Furthermore, UBalt did not adequately verify student financial aid application data and adjustments made to student cost of attendance budgets, both of which may impact a student's financial aid award. In addition, UBalt did not adequately monitor the placement and removal of certain student account designations used to allow, deny, or defer critical actions, such as registering for classes, receiving transcripts, and submitting unpaid accounts to the State's Central Collection Unit for further collection action.

Our audit also disclosed certain information system security and control deficiencies, including the lack of a process to ensure that critical user access capabilities on UBalt's financial management systems were adequately restricted, and a lack of an adequate authentication method for certain remote access. Furthermore, we noted a potential violation of State ethics laws and certain monitoring deficiencies relating to travel services totaling $59,767 obtained from

[1] As of March 2021, the University officially began use of the term UBalt in replacement of the acronym UB.

a company operated by a UBalt employee. Finally, adjustments to employee leave balances were not reviewed for propriety by supervisory personnel.

Our audit also included a review to determine the status of the seven findings contained in our preceding audit report. We call your attention to our determination that UBalt satisfactorily addressed all of the prior audit findings.

The USM Office's response to this audit, on behalf of UBalt, is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address the audit issues. While UBalt generally agrees with the recommendations in this report, we identified one statement in the response requiring an "auditor's comment" to further explain our position.

We wish to acknowledge the cooperation extended to us during the audit by UBalt. We also wish to acknowledge USM's and UBalt's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

The University of Baltimore (UBalt) is a public institution of the University System of Maryland and operates under the jurisdiction of the System's Board of Regents. UBalt is an urban university offering a career-oriented education at the bachelor's, master's, and professional levels, with degree programs in law, business, and liberal arts with an emphasis on applied and professional degrees. According to UBalt's records, student enrollment for the fall 2020 semester totaled 4,169, including 1,899 undergraduate students and 2,270 graduate students.

UBalt's budget is funded by unrestricted revenues, such as tuition and student fees; a State general fund appropriation; and restricted revenues, such as federal grants and contracts. According to the State's accounting records, UBalt's fiscal year 2020 revenues totaled approximately $130.2 million, including a State general fund appropriation of $40.7 million, and its expenditures totaled $125.4 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the seven findings contained in our preceding audit report dated January 12, 2018. We determined that UBalt satisfactorily addressed these findings.

Findings and Recommendations

Student Personal Information

Finding 1
The University of Baltimore (UBalt) did not require or obtain a sufficient independent review of the automated system used by its vendor responsible for collecting student online payments, to ensure that sensitive student information residing on the system was properly safeguarded.

Analysis
UBalt did not require or obtain a sufficient independent review of the automated system used by its vendor responsible for collecting student online payments, to ensure that sensitive student information residing on the system was properly safeguarded. These reviews are required by University System of Maryland (USM) policies. According to UBalt records, student online payments processed by the vendor during fiscal year 2020 totaled approximately $11.8 million. Our review disclosed that UBalt's contract did not require the vendor to obtain a control assessment report as required by USM *IT Security Standards.*

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 shall implement reasonable security procedures and practices to protect personal information. In addition, USM *IT Security Standards* require USM institutions to obtain and review a control assessment report based on such a review performed by a recognized independent audit organization. The *Standards* provide several examples of acceptable reports, including the American Institute of Certified Public Accountants (AICPA) System and Organization Controls (SOC) 2 Type 2 report.

The AICPA has issued guidance for various reviews of service organizations. Based on this guidance, service organizations (like the aforementioned vendor) may contract for an independent review of controls and the resultant independent auditor's report is referred to as a SOC report. There are several types of SOC reports, with varying scopes and levels of review and auditor testing. The aforementioned SOC 2 Type 2 report includes the results of the auditor's review of controls placed in operation and tests of operating effectiveness for the period under review and could include an evaluation of system security, availability, processing integrity, confidentiality, and/or privacy.

Recommendation 1
We recommend that UBalt comply with State law and USM *IT Security Standards* by requiring and obtaining from the aforementioned vendor a control assessment report, such as a SOC 2 Type 2 report, to ensure sensitive student information provided to the vendor is properly safeguarded.

Student Financial Aid

Finding 2
UBalt did not adequately verify student financial aid application data and adjustments made to student cost of attendance (COA) budgets.

Analysis
UBalt did not adequately verify student financial aid application data and adjustments made to student COA budgets. The accuracy and validity of these two functions are critical to ensuring the propriety of financial aid awards made to students. According to UBalt's records, during fiscal year 2020, financial aid awarded to students totaled approximately $65.6 million.

- UBalt could not document that it ensured its third-party vendor adequately verified student financial aid application data, and that any needed corrections to the data were made (by either UBalt or the vendor) and submitted to the federal granting agency. The third-party vendor was responsible for requesting documentation from students to support their application data. Although UBalt advised us that supervisory personnel performed a limited review of the third-party vendor's verifications, there was no documentation that these reviews were performed or the related extent.

- UBalt did not independently review student COA budget adjustments for propriety. A student's COA budget includes tuition and fees, room and board, transportation, and other personal expenses, and is used to help determine the maximum amount of financial aid available to the student. These budgets may be adjusted for various reasons, such as variations in costs due to actual tuition charges, loan origination fees, or premium meal plans. Although UBalt had certain controls in place to verify the propriety of financial aid awards, the controls would not identify improper aid resulting from an unauthorized adjustment to a student's COA budget. For academic year 2020, UBalt performed 621 adjustments related to COA budgets totaling $1.5 million.

Recommendation 2
We recommend that UBalt

a. **document its review of the third-party vendor's verification of student financial aid application data, and ensure that the vendor or UBalt made any needed corrections and properly reported any corrections to the applicable federal granting agency; and**
b. **ensure that manual adjustments to COA budgets are subject to a documented independent supervisory review, at least on a test basis.**

Student Accounts Receivable

Finding 3
UBalt did not adequately monitor changes to unpaid student accounts to allow, deny, or defer critical activity, such as registering for classes, receiving transcripts, or submitting unpaid accounts to the State's Central Collection unit (CCU).

Analysis
UBalt did not adequately monitor the placement and removal of certain designations on unpaid student accounts, which were used to allow, deny, or defer critical actions, such as registering for classes, receiving transcripts, and submitting unpaid accounts to CCU for further collection action.

- UBalt had no procedure to periodically review "pending payment" designations added to student accounts. This designation was placed on a student's unpaid account when receipt of financial aid from a third party was expected, but not yet received, which enabled the student to register for classes. UBalt did not periodically determine if the ongoing designation was still justified, and if the expected payment had been received. As of November 2020, there were 220 accounts with unpaid balances totaling $745,227 that had pending payment designations, of which, accounts totaling approximately $331,730 had been outstanding for over a year.

- Our test of eight accounts totaling $40,620 with pending payment designations that were outstanding for extended periods of time disclosed that for five accounts, the respective student was allowed to register for two to eight additional semesters even though a total of $26,570 from the original amounts due remained unpaid. In addition, for two of these accounts, the students were allowed to graduate with unpaid account balances, because the pending payment designation had not been removed.

- UBalt did not forward accounts to CCU in accordance with the modified submission timeline approved by CCU. Specifically, the aforementioned five accounts had not been submitted to CCU as of February 9, 2021, even though they were between 16 and 37 months beyond the required respective transfer date. CCU regulations, as amended for UBalt, generally require that each semester's delinquent accounts be transferred to CCU during or at the end of the subsequent semester (which is May 30 for the preceding fall semester, and September 30 for the preceding spring semester).

- As of November 2, 2020, seven employees could release holds placed on unpaid student accounts without independent supervisory review and approval. An account hold generally prohibits subsequent transactions, such as registering for classes and ordering transcripts. According to UBalt records, there were approximately 33,600 account holds that were released during our audit period, including 9,994 that were processed by six of the aforementioned seven employees.

The USM Board of Regents' *Policy on Payment of Tuition and Fees* states that tuition and fees are due and payable in full by the stipulated due date unless the student is covered by a specific exemption (such as pending financial aid). The *Policy* further requires that appropriate administrative action (such as barring class attendance and withholding of transcripts and grades) be initiated if timely payment is not received.

Recommendation 3
We recommend that UBalt

a. establish procedures to regularly review the propriety of pending payment designations placed on student accounts, remove designations that can no longer be justified, and take appropriate and timely collection action for unpaid balances; and

b. ensure that all holds removed from student accounts are subject to independent supervisory review and approval.

Information Systems Security and Control

Finding 4
UBalt did not have procedures for ensuring that access to perform certain critical functions on its financial management systems was adequately restricted and controlled.

Analysis
UBalt did not have procedures in place for ensuring that access to perform certain critical functions (such as modifying employee pay or student financial aid data) was adequately restricted and controlled. Specifically, UBalt did not review existing reports of users with access to critical functions to determine if the access was proper and adequately controlled.

We reviewed system capabilities assigned to 160 users as of November 2, 2020 for 37 critical functions related to student financial aid, student accounts, payroll and human resources, and procurements and disbursements and noted the following conditions:

- Nineteen users had access to critical screens for financial aid, student accounts, or payroll and human resources, even though they did not require the access to perform their job duties. For example, we noted six users who had access to make adjustments to employee pay even though they did not require it for their job responsibilities.

- We noted 16 users who had access to process critical student financial aid or procurement and disbursement transactions without independent review and approval. For example, 12 users could modify student financial data used to determine financial aid eligibility without independent review and approval.

Recommendation 4
We recommend that UBalt establish formal procedures for ensuring that access to perform critical functions within its financial management systems is adequately restricted and controlled. Specifically, we recommend that UBalt

a. periodically provide appropriate department personnel with available security reports to perform reviews of user access to process critical functions on its financial management systems;
b. ensure through those reviews that user access is both required for the user's job duties and adequately controlled by ensuring, for example, that transactions processed are subject to independent review and approval; and

c. eliminate the unnecessary user access noted in our finding.

Finding 5
Remote access to the internal UBalt network by employees and authorized contractors used a single authentication measure rather than the more secure multi-factor authentication.

Analysis
Employees' and authorized contractors' remote access to UBalt's internal network, using a Virtual Private Network (VPN) connection, required a stronger security authentication measure than was in place during the audit. Our review noted that 325 user accounts were granted such VPN-based remote network access.

These remote VPN connections into UBalt's internal network did not require multi-factor authentication (MFA) for establishing access. Instead, access was provided based upon only single factor authentication. MFA uses two or more different credential factors to authenticate user network connections. Access to critical networks and resources requires layers of security protections which include use of MFA, to help prevent security risks tied to compromised user credentials.

Best practices, as specified in the State of Maryland *Information Technology Security Manual*, require Maryland agencies to ensure that MFA mechanisms are employed for all remote access to networks.

Recommendation 5
We recommend that UBalt implement multi-factor authentication for remote connections into the UBalt network by employees and authorized contractors.

Possible Ethics Violation

Finding 6
UBalt obtained travel-related services totaling $59,767 from a company operated by a UBalt employee when these services were available from existing vendors. In addition, UBalt did not have a detailed written contract for certain of the services, and did not obtain support for all amounts paid to the company, certain of which appeared questionable.

Analysis
State ethics laws were potentially violated when travel-related services totaling $59,767 were obtained from a company operated by a UBalt employee when these services were available from existing vendors. In addition, UBalt did not obtain support for amounts invoiced, certain of which appeared questionable. The company planned all aspects of one academic department's study abroad program trips including the payment of certain travel related costs such as airfare, lodging, and meals. According to UBalt records, the company was paid for costs and unspecified administrative fees totaling $59,767 during fiscal years 2018 through 2020. Although UBalt was aware of the situation and advised us of this potential violation as part of our audit process, it previously did not advise or refer the matter to certain parties as necessary or required.

Potential Ethics Violation
A former UBalt employee obtained travel-related services from a company operated by another UBalt employee instead of using existing contracts with other vendors providing these same services. The employee who operated the company served in a senior management position in the academic department that requested the contract and accompanied the students on the trips. The services were obtained without any competitive procurement and UBalt management could not explain the use of the company when they had existing contracts with other vendors for the same services. In addition, the UBalt employee who operated the company did not disclose this relationship on UBalt's outside employment forms for calendar years 2017 through 2019, although it was disclosed on the employee's calendar year 2020 form. The matter came to light in 2019 when a new UBalt procurement employee questioned the propriety of the contract and referred it to UBalt's legal counsel, which advised that the business relationship with the company could potentially violate certain State ethics laws, and recommended that the contract be terminated.

Although UBalt subsequently terminated its relationship with the company, this matter was not referred to the State Ethics Commission. Referral of such matters by a State agency to the Commission is not required by State Law or regulation;

however, due to the concerns raised that State ethics laws may have been violated, it is our opinion that UBalt should have referred this matter to the Commission for evaluation. We consulted senior management personnel at the Commission, who advised us that the UBalt employee's financial interest in the company could potentially be a violation of several State ethics laws (a position consistent with UBalt legal counsel's prior conclusion). Referral of a matter to the Commission by a State agency does not mean that a violation took place. Any final decision as to whether violations of State Ethics Laws did or did not occur would ultimately be made by the Commission. UBalt advised us that this matter was discussed with the Commission in October 2021, which was subsequent to our inquiries. According to UBalt, the Commission did not provide any final decision or ruling at the time of that discussion.

In addition, UBalt did not notify the Governor's Chief Legal Counsel and the Office of the Attorney General (OAG) – Criminal Division of the potential unethical conduct, as required. The Governor's Executive Order, *Standards of Conduct for Executive Branch Employees*, requires that all departments and agencies of the State immediately report any instance of possible criminal or unethical conduct by an employee to the Governor's Chief Counsel and to the agency's chief legal counsel or the Criminal Division.[2] UBalt disagrees with the necessity of making these notifications since its legal counsel advised it that they were not necessary under the circumstances of this situation. We take the contrary position that the standard of "potential unethical conduct" requires notification, especially as the legal counsel initially advised UBalt that the business relationship with the company could have potentially violated certain State ethics laws. As with a referral to the State Ethics Commission, the notifications required of a State agency by the Governor's Executive Order do not mean that a violation of any State laws actually took place.

UBalt Obtained Certain Services from the Company Without a Written Contract

Our review of the procurement of these services disclosed that UBalt paid the company $29,474 for travel services without a written detailed contract. UBalt also paid the company an additional $10,644 for other services, such as research related to study abroad, without a formal detailed contract.[3] Although certain payments did not have an associated detailed contract, UBalt did have purchase orders for $40,118 in payments made without a detailed contract. USM procurement policies require a written contract for services over $25,000. In our opinion, while individual trip and service costs were less than $25,000 and

[2] Although UBalt's legal counsel was notified of the situation, this is not a substitute for the referenced reporting to external parties.

[3] Of the $59,767 paid by UBalt to the company, the remaining $19,649 was paid out under a formal contract.

individually would not require a written detailed contract, the extended use of the company for travel services in general, which cumulatively exceeded $25,000 warranted the establishment of a written detailed contract indicating each party's responsibilities. UBalt management advised us that it did not believe that the various individual services associated with these trips, due to their unique nature, could be consolidated into a single contract.

UBalt Did Not Verify the Propriety of Amounts Paid to the Company

UBalt did not verify the propriety of amounts invoiced and paid to the company, which were generally paid prior to services being rendered. UBalt generally paid the company in advance based on a budget for itemized costs that it advised was jointly prepared by the company and UBalt for travel costs and administrative fees. Although UBalt advised us that it participated in development of the itemized cost budgets, it was unable to provide us with documentation of how the budgets were determined. In addition, UBalt did not have any process for four of the five trips to verify the actual cost of travel being provided (such as by reviewing reports of trip expenses and supporting receipts for airfare, trains, and meals).

In this regard, our review of all payments to the company disclosed that UBalt did not have support for travel-related services related to four trips totaling $45,567. In addition, UBalt did not have support for $10,114 of the aforementioned $10,644 in other services provided by the company. Receipts obtained for a fifth trip disclosed certain questionable costs reimbursed by UBalt, specifically $1,575 billed to the company for a certified public accounting firm to prepare business tax returns and $190 for credit card membership fees. It was unclear as to how these expenses related to the trip. UBalt paid $3,556 to the company for this trip, while the UBalt Foundation paid certain other costs incurred.

In addition to the trip costs previously noted, UBalt separately processed expense reimbursements for the employee who operated the company and accompanied the students on the trips. These expense reimbursements related to meals associated with four trips totaling $2,648 and credit card expenses related to the trips totaling $6,212. Because of the lack of supporting documentation for the trips, it was unclear if these expenses should have already been covered by the payments made to the company.

Recommendation 6

We recommend that UBalt

a. take the action necessary to comply with any decision which the State Ethics Commission provides regarding this matter;

b. notify the OAG's Criminal Division and the Governor's Chief Legal Counsel of the aforementioned matter and, in the future, notify the appropriate entities in accordance with the aforementioned Executive Order and OAG policy;
c. ensure that travel services are obtained from vendors identified by a documented independent procurement process and that detailed contracts are entered into for these services; and
d. review all payments made to this company and pursue and obtain reimbursement for any unsupported or inappropriate costs.

Payroll

Finding 7
Supervisory reviews of adjustments to leave balances were not performed.

Analysis
Adjustments to employee leave balances were not reviewed for propriety by supervisory personnel. During our audit period, UBalt processed 228 leave adjustments that increased employee leave balances by 12,052 hours. We reviewed five leave adjustments (selected based on significance) that increased leave balances by 1,381 hours valued at approximately $49,000. While these leave adjustments seemed appropriate under the circumstances for the five employees, there was no documented supervisory review of the adjustments to ensure they were accurate and properly supported. In addition to the aforementioned increases, during the same period, 55 leave adjustments that decreased employee leave balances by 1,629 hours were processed.

Recommendation 7
We recommend that UBalt ensure that leave adjustments processed are reviewed for propriety by independent supervisory personnel and that this review be documented.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit the University System of Maryland (USM) - University of Baltimore (UBalt) for the period beginning September 13, 2016 and ending November 15, 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 UBalt'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 procurements and disbursements, student accounts receivable, cash receipts, student financial aid, payroll, and information systems security and control. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to UBalt by the USM Office. These support services (such as bond financing) are included within the scope of our audit of the USM Office. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal assistance programs and an assessment of UBalt'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 the components of USM.

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 September 13, 2016 to November 15, 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 UBalt's 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). 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 UBalt's financial systems for the purpose of testing certain areas, such as financial aid and 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.

UBalt'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 UBalt, 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 UBalt'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 UBalt that did not warrant inclusion in this report.

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

APPENDIX

UNIVERSITY SYSTEM of MARYLAND

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OFFICE OF ADMINISTRATION AND FINANCE

December 1, 2021

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

Re: University System of Maryland – University of Baltimore
Period of Audit: September 13, 2016 through November 15, 2020

Dear Mr. Hook,

Thank you for the work of your team and the recommendations you provided. I have enclosed the University System of Maryland's amended responses to your draft report covering the examination of the accounts and records of the University System of Maryland – University of Baltimore. Our comments refer to the individual items in the report.

Sincerely,

Ellen Herbst
Vice Chancellor for Administration and Finance

Enclosures

cc: Mr. Kurt L. Schmoke, President, UBalt
Ms. Linda R. Gooden, Chair, University System of Maryland Board of Regents
Dr. Jay A. Perman, Chancellor, University System of Maryland
Mr. Robert L. Page, Associate Vice Chancellor for Financial Affairs, USM Office
Mr. David Mosca, Director of Internal Audit, USM Office

University System of Maryland
University of Baltimore

Agency Response Form

Student Personal Information

Finding 1
The University of Baltimore (UBalt) did not require or obtain a sufficient independent review of the automated system used by its vendor responsible for collecting student online payments, to ensure that sensitive student information residing on the system was properly safeguarded.

We recommend that UBalt comply with State law and USM *IT Security Standards* by requiring and obtaining from the aforementioned vendor a control assessment report, such as a SOC 2 Type 2 report, 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:**	May 2021
Please provide details of corrective action or explain disagreement.	The University of Baltimore obtained and reviewed an unqualified SOC 2 type 2 report for the aforementioned vendor in May 2021. UBalt will continue to obtain and review these reports.		

University System of Maryland
University of Baltimore

Agency Response Form

Student Financial Aid

Finding 2
UBalt did not adequately verify student financial aid application data and adjustments made to student cost of attendance (COA) budgets.

We recommend that UBalt

a. document its review of the third-party vendor's verification of student financial aid application data, and ensure that the vendor or UBalt made any needed corrections and properly reported any corrections to the applicable federal granting agency; and

b. ensure that manual adjustments to COA budgets are subject to a documented independent supervisory review, at least on a test basis.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	**Estimated Completion Date:**	November 2021
Please provide details of corrective action or explain disagreement.	Semi-annually, the University of Baltimore will perform and document an independent review of a 10% sample of the third-party vendor's verification of student financial aid application data. The first review occurred on November 2 and 3 and no exceptions were noted. The next review will occur in April 2022. In future reviews, if corrections are needed, UBalt will ensure these are properly reported to the applicable federal grant agency.		
Recommendation 2b	Agree	**Estimated Completion Date:**	November 2021
Please provide details of corrective action or explain disagreement.	Semi-annually, the University of Baltimore, specifically the Financial Aid leader, will perform and document an independent review of a 10% sample of manual adjustments to COA budgets to confirm the propriety of such adjustments. The first review occurred on November 2 and 3 and no exceptions were noted. The next review will occur in April 2022.		

University System of Maryland
University of Baltimore

Agency Response Form

Student Accounts Receivable

Finding 3
UBalt did not adequately monitor changes to unpaid student accounts to allow, deny, or defer critical activity, such as registering for classes, receiving transcripts, or submitting unpaid accounts to the State's Central Collection unit (CCU).

We recommend that UBalt

a. establish procedures to regularly review the propriety of pending payment designations placed on student accounts, remove designations that can no longer be justified, and take appropriate and timely collection action for unpaid balances; and

b. ensure that all holds removed from student accounts are subject to independent supervisory review and approval.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	**Estimated Completion Date:**	November 2021
Please provide details of corrective action or explain disagreement.	The University of Baltimore will develop procedures and perform a semi-annual review of pending student account payment designations (PFA and TPA). The procedures will include guidance for determining the propriety of pending payment designations, for the removal of designations which can no longer be justified, and will set forth timely and appropriate actions relative to collections for unpaid balances.		
Recommendation 3b	Agree	**Estimated Completion Date:**	November 2021
Please provide details of corrective action or explain disagreement.	The University of Baltimore will review all persons with the ability to remove financial holds and develop an independent documented supervisory review and approval for removal of these financial holds.		

University System of Maryland
University of Baltimore

Agency Response Form

Information Systems Security and Control

Finding 4
UBalt did not have procedures for ensuring that access to perform certain critical functions on its financial management systems was adequately restricted and controlled.

We recommend that UBalt establish formal procedures for ensuring that access to perform critical functions within its financial management systems is adequately restricted and controlled. Specifically, we recommend that UBalt

a. periodically provide appropriate department personnel with available security reports to perform reviews of user access to process critical functions on its financial management systems;
b. ensure through those reviews that user access is both required for the user's job duties and adequately controlled by ensuring, for example, that transactions processed are subject to independent review and approval; and
c. eliminate the unnecessary user access noted in our finding.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	**Estimated Completion Date:**	November 2021
Please provide details of corrective action or explain disagreement.	The University of Baltimore will implement new procedures to periodically provide appropriate department personnel with system access reports to facilitate user access reviews of critical functions on its financial management and human resources systems. These reviews will occur twice per year.		
Recommendation 4b	Agree	**Estimated Completion Date:**	December 2021
Please provide details of corrective action or explain disagreement.	The above-mentioned review of the University of Baltimore's financial management systems will ensure that users are restricted based on user's job roles and responsibilities.		
Recommendation 4c	Agree	**Estimated Completion Date:**	November 2021
Please provide details of corrective action or explain disagreement.	The University of Baltimore will eliminate the unnecessary user access noted in the OLA report.		

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Finding 5
Remote access to the internal UBalt network by employees and authorized contractors used a single authentication measure rather than the more secure multi-factor authentication.

We recommend that UBalt implement multi-factor authentication for remote connections into the UBalt network by employees and authorized contractors.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5	Agree	**Estimated Completion Date:**	August 2021
Please provide details of corrective action or explain disagreement.	All remote user access employed Multi-Factor Authentication (MFA), by May 2021, except for the VPN because of a software issue. MFA for the VPN was implemented in August 2021.		

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Possible Ethics Violation

Finding 6
UBalt obtained travel-related services totaling $59,767 from a company operated by a UBalt employee when these services were available from existing vendors. In addition, UBalt did not have a detailed written contract for certain of the services, and did not obtain support for all amounts paid to the company, certain of which appeared questionable.

We recommend that UBalt

a. take the action necessary to comply with any decision which the State Ethics Commission provides regarding this matter;
b. notify the OAG's Criminal Division and the Governor's Chief Legal Counsel of the aforementioned matter and, in the future, notify the appropriate entities in accordance with the aforementioned Executive Order and OAG policy;
c. ensure that travel services are obtained from vendors identified by a documented independent procurement process and that detailed contracts are entered into for these services; and
d. review all payments made to this company and pursue and obtain reimbursement for any unsupported or inappropriate costs.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The circumstances of the contract are viewed as a mutual mistake made by the University and the employee rather than any unethical conduct on anyone's part. The matter was corrected immediately upon receiving guidance from counsel.		
Recommendation 6a	Agree	**Estimated Completion Date:**	TBD
Please provide details of corrective action or explain disagreement.	The University of Baltimore will comply in a timely manner with any directions that the State Ethics Commission provides on this matter.		
Recommendation 6b	Disagree	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	The University of Baltimore administrators promptly conferred with the OAG Higher Education Division, terminated the contract, and acted fully upon guidance by OAG counsel and in compliance with reporting requirements. In the future, UBalt will continue to consult OAG counsel on these matters and act in accordance with the Executive Order.		

Auditor's Comment: UBalt's response indicates disagreement with the recommendation to refer this matter to the OAG's Criminal Division and the Governor's

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Chief Legal Counsel, and states that UBalt acted fully upon guidance by OAG counsel and in compliance with reporting requirements. We continue to believe that UBalt should have notified the Criminal Division and the Governor's Chief Legal Counsel of this matter in accordance with the Governor's Executive Order. However, as further recommended, UBalt has agreed to act in accordance with the Executive Order in the future.

Recommendation 6c	Agree	**Estimated Completion Date:**	As applicable
Please provide details of corrective action or explain disagreement.	If travel services are needed, the University of Baltimore will obtain them in accordance with USM Procurement Policies and Procedures.		
Recommendation 6d	Agree	**Estimated Completion Date:**	January 2022
Please provide details of corrective action or explain disagreement.	The University of Baltimore is reviewing all payments made to this company and will seek to obtain reimbursement if appropriate.		

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Payroll

Finding 7
Supervisory reviews of adjustments to leave balances were not performed.

We recommend that UBalt ensure that leave adjustments processed are reviewed for propriety by independent supervisory personnel and that this review be documented.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 7	Agree	**Estimated Completion Date:**	December 2021
Please provide details of corrective action or explain disagreement.	The University of Baltimore will document an independent peer review of leave adjustments.		

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