

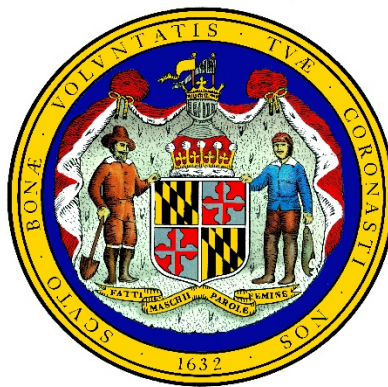
Audit Report

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

October 2024

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Clarence K. Lam, M.D. (Senate Chair)	Delegate Jared Solomon (House Chair)
Senator Joanne C. Benson	Delegate Steven J. Arentz
Senator Paul D. Corderman	Delegate Andrea Fletcher Harrison
Senator Katie Fry Hester	Delegate Steven C. Johnson
Senator Shelly L. Hettleman	Delegate Mary A. Lehman
Senator Cheryl C. Kagan	Delegate David H. Moon
Senator Cory V. McCray	Delegate Julie Palakovich Carr
Senator Justin D. Ready	Delegate Emily K. Shetty
Senator Bryan W. Simonaire	Delegate Stephanie M. Smith
Senator Craig J. Zucker	Delegate M. Courtney Watson

To Obtain Further Information

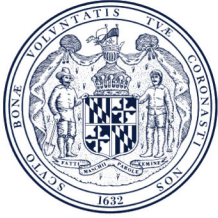
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.state.md.us
Website: www.ola.state.md.us

To Report Fraud

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

Nondiscrimination Statement

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

October 11, 2024

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, 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 Maryland, Baltimore County (UMBC) for the period beginning October 31, 2018 and ending July 15, 2023. UMBC is a comprehensive public research institution of USM and provides a broad range of baccalaureate, graduate, and doctoral programs in the liberal arts and sciences and engineering disciplines.

Our audit disclosed a cybersecurity-related finding. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the finding from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term “cybersecurity” is defined in the State Finance and Procurement Article, Section 3.5-301(b), and using our professional judgment we have determined that the redacted finding falls under the referenced definition. The specifics of the cybersecurity finding were previously communicated to those parties responsible for acting on our recommendations.

Our audit also disclosed that UMBC did not ensure that employee time worked was always recorded and approved in a timely manner. For example, we noted numerous instances in which timesheets were submitted and/or approved months after the applicable pay period had ended, including one employee who submitted no timesheets for over six years. The timesheets enable recording of the work time (days worked and leave used) on the system. The employee was paid approximately \$328,000 during this period.

Finally, our audit included a review to determine the status of the four findings contained in our preceding audit report. We call your attention to our determination that UMBC satisfactorily addressed all four prior findings.

USM's response to our findings and recommendations, on behalf of UMBC, is included as an appendix to this report. We reviewed the response and noted general agreement to our findings and related recommendations. Subsequent to the response receipt, but prior to the issuance of the final report, we contacted USM and UMBC and obtained additional clarification that satisfactorily resolved all outstanding questions and issues. Consequently, we have concluded that the written responses and additional clarification together indicate that the corrective actions identified are sufficient to address all audit issues. Consistent with State law, we have redacted the elements of USM's response related to the cybersecurity audit finding.

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

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Background Information

Agency Responsibilities

The University of Maryland, Baltimore County (UMBC) is a comprehensive public research institution of the University System of Maryland and operates under the jurisdiction of the System's Board of Regents. UMBC offers a broad range of baccalaureate, graduate, and doctoral programs in the liberal arts, sciences, and engineering disciplines. Based on UMBC's records, student enrollment for the Fall 2023 semester totaled 14,148 including 10,490 undergraduate students and 3,658 graduate students.

UMBC's budget is funded by unrestricted revenues, such as tuition and fees and a State general fund appropriation, and restricted revenues, such as federal grants and contracts. According to the State's accounting records, UMBC's revenues for fiscal year 2023 totaled approximately \$582.2 million, which included a State general fund appropriation of approximately \$180.6 million (see Figure 1 on the following page).

Figure 1
UMBC Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	2,030	91.3%
Vacant	194	8.7%
Total	2,224	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$326,243,638	56.1%
Technical and Special Fees	3,064,630	0.5%
Operating Expenses	252,845,841	43.4%
Total	\$582,154,109	
Fiscal Year 2023 Funding Sources		
	Funding	Percent
<u>Unrestricted</u>		
General Fund	\$180,623,643	31.0%
Tuition and Fees	162,184,837	27.9%
Other University Revenues ¹	118,809,027	20.4%
	461,617,507	79.3%
<u>Restricted</u>		
Federal Grants and Contracts	67,639,673	11.6%
Other Gifts, Grants and Contracts	52,896,929	9.1%
	120,536,602	20.7%
Total	\$582,154,109	

Source: State financial records and UMBC personnel records

¹ Includes revenues from Auxiliary Services (\$81.3M) and from the Higher Education Investment Fund (\$10.3M).

Purchasing System

In November 2019, UMBC implemented a new cloud-based purchasing system. The system is used to perform critical functions such as requisitioning, purchasing, and invoice processing.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the four findings contained in our preceding audit report dated January 17, 2020. We determined that UMBC satisfactorily addressed each of these findings.

Findings and Recommendations

Information Systems Security and Control

We determined that Finding 1 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following finding, including the analysis, related recommendations, along with USM’s responses, have been redacted from this report copy.

Finding 1
Redacted cybersecurity-related finding.

Employee Time Records

Finding 2
UMBC did not ensure that employee work time was recorded and approved in a timely manner. We noted several significant recording and approval delays, including one employee who did not submit timesheets to enable recording of the work time (days worked and leave used) for over six years.

Analysis

UMBC did not ensure that employee work time was recorded and approved in a timely manner. UMBC uses an electronic timesheet system for recording, processing, and submitting employee payroll data to the State’s Central Payroll

Bureau. We reviewed fiscal year 2023 payroll activity totaling approximately \$244.2 million. Our review disclosed that timesheets were not submitted and approved timely or at all for certain employees. For example, 71 timesheets for 16 employees with related payroll payments totaling \$354,000, were submitted and/or approved more than 3 months after the applicable pay period had ended. In addition, as of October 2023, 35 timesheets for 4 employees had still not been submitted and/or approved for periods up to one year.

We also noted a faculty member, who did not submit any timesheets between May 2015 and December 2021, and was paid approximately \$328,000 during the period. As a result, this employee's work time (days worked and leave used) was not recorded in the system during this period. We were advised by UMBC that numerous attempts were made to get the employee to submit timesheets, and in December 2021 the employee submitted approximately 135 overdue timesheets. The department chair in consultation with UMBC's Human Resources Department approved the past due timesheets but could not attest to the validity of the days worked. UMBC subsequently approved and processed the timesheets in its system.

The aforementioned delays are contrary to UMBC's policy requiring timely submission and approval of employee time and restrict the ability of supervisory personnel to ensure that time recorded by employees is accurate and valid. In all of these cases, the employee was paid in accordance with UMBC's regular payroll payment schedule. The untimely submission of the timesheets raises questions as to the validity of the time recorded and resulting payroll payments and leave balances.

Recommendation 2

We recommend that UMBC

- a. develop procedures to ensure that all employee time is submitted and approved in accordance with its policy, and**
- b. take appropriate corrective action for employees and departments that continually fail to comply with its policy for the timely submission and approval of employee time.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Maryland, Baltimore County (UMBC) for the period beginning October 31, 2018 and ending July 15, 2023. 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 UMBC'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, corporate purchasing cards, working funds, information systems security and control, and equipment. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to UMBC by the USM Office, such as bond financing, and by the University of Maryland, Baltimore (UMB) such as processing certain vendor payment transmittals and capital project management. These support services are included within the scope of our audits of the USM Office and UMB, respectively. In addition, 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 UMBC'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 the 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 October 31, 2018 to July 15, 2023, 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 UMBC'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), 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 UMBC'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.

UMBC's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. 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 UMBC, 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 UMBC's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to UMBC that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation”. Based on that definition, and in our professional judgment, we concluded that a finding in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of the cybersecurity finding and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of this cybersecurity finding have been communicated to the USM Office and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from the USM Office, on behalf of UMBC, to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. 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.

OFFICE OF ADMINISTRATION AND FINANCE

October 7, 2024

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Re: University System of Maryland – University of Maryland, Baltimore County
Period of Audit: October 31, 2018 through July 15, 2023

Dear Mr. Tanen,

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

Sincerely,



Ellen Herbst
Senior Vice Chancellor for Administration and Finance

Enclosures

cc: Dr. Valerie Sheares Ashby, President, UMBC
Ms. Linda R. Gooden, Chair, University System of Maryland Board of Regents
Mr. Louis M. Pope, University System of Maryland Board of Regents
Dr. Jay A. Perman, Chancellor, University System of Maryland
Ms. Celeste Denson, Associate Vice Chancellor for Financial Affairs, USM Office
Mr. David Mosca, Vice Chancellor for Accountability, USM Office
Mr. Michael C. Eismeier, Associate Vice Chancellor and CIO, USM Office
Ms. Samantha Norris, Director, Financial Planning and Analysis, USM Office
Ms. Kathy L. Dettloff, Vice President, Administration and Finance, UMBC
Ms. Megan Cherry, Director, Management Advisory Services, UMBC
Ms. Michele Conner, Executive Assistant to the President, UMBC
Mr. Lenn Caron, Senior Associate Vice President, Administrative Services, UMBC

University System of Maryland
University of Maryland, Baltimore County

Agency Response Form

Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that Finding 1 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the finding, including the analysis, related recommendation(s), along with USM’s responses, have been redacted from this report copy, USM’s responses indicated agreement with the finding and related recommendations.

Finding 1
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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

Agency Response Form

Employee Time Records

Finding 2
UMBC did not ensure that employee work time was recorded and approved in a timely manner. We noted several significant recording and approval delays, including one employee who did not submit timesheets to enable recording of the work time (days worked and leave used) for over six years.

We recommend that UMBC

- a. develop procedures to ensure that all employee time is submitted and approved in accordance with its policy, and
- b. take appropriate corrective action for employees and departments that continually fail to comply with its policy for the timely submission and approval of employee time.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	In the above-mentioned example, the department chair consulted with Human Resources and Strategic Talent Management (HRSTM) and approved the 135 timesheets solely to render the system operable for future submissions.		
Recommendation 2a	Agree	Estimated Completion Date:	June 2025
Please provide details of corrective action or explain disagreement.	<p>UMBC’s HRSTM department has strengthened timesheet language and instructions in the employee handbook for FY25. In addition, HRSTM’s Human Resources Information Technology and Payroll team has partnered with the Department of Information Technology to construct a summary page in the accounting system where timesheet reviewers and approvers can more readily see timesheet statuses for employees in their assigned departments. This will allow approvers and reviewers to more quickly identify and work with employees to ensure more timely submission of timesheets.</p> <p>HRSTM has presented and has available on-demand training records for timesheet approvers on timesheet management and policies.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	June 2025

University System of Maryland
University of Maryland, Baltimore County

Agency Response Form

<p>Please provide details of corrective action or explain disagreement.</p>	<p>UMBC's HRSTM department is working with DoIT to build a report/query which will capture late timesheet submission cumulatively by employee and department. This report will be available to departmental leadership so that trends may be identified and employee coaching around timesheet policies and procedures may occur. We plan to identify future system updates that will assist us in programmatic controls that are currently unavailable in our current system.</p> <p>The HRSTM Employee and Labor Relations team along with the Payroll team will support departmental employees and leaders in best practices around timesheet management and the management and corrective action of employees who remain out of compliance with timesheet submission policies.</p>
--	--

AUDIT TEAM

Robert A. Wells, Jr., CPA
Audit Manager

R. Brendan Coffey, CPA, CISA
Edwin L. Paul, CPA, CISA
Information Systems Audit Managers

Robert J. Smith, CPA
Amanda M. Jones
Senior Auditors

Eric Alexander, CPA, CISA
Peter W. Chong, CISA
Information Systems Senior Auditors

Charlotte M.S. Chamberlin
Jonathan D. Souders
Stacey D. Streett
Staff Auditors

Joshua A. Nicodemus, CISA
Charles O. Price
Information Systems Staff Auditors