

Audit Report

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**University System of Maryland  
University of Baltimore**

January 2018

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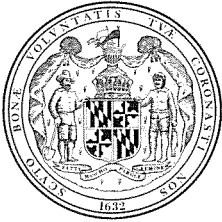
**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

January 12, 2018

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

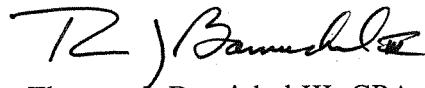
We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Baltimore (UB) for the period beginning July 31, 2013 and ending September 12, 2016. UB is an urban public institution offering a career-oriented education at the bachelor's, master's, and professional levels, with degree programs in law, business, and liberal arts with an emphasis on applied and professional degrees.

Our audit disclosed that UB did not adequately monitor its \$5.5 million marketing and advertising contract to ensure the propriety of vendor payments, including labor hours and media fund advances, and informally approved a labor hour rate increase without a contract modification. In addition, UB entered into certain interagency agreements, with payments totaling \$1.1 million as of December 2016, that enabled another State agency to avoid using competitive procurement processes or seeking additional budgeted positions.

We also noted certain control deficiencies relating to payroll, cash receipts, student accounts receivable, and student financial aid. These deficiencies related primarily to the processing, reviewing, verification, and approval of critical transactions, such as changes in employee pay rates, the deposit of cash receipts, and changes to student residency status. Finally, our audit disclosed that sensitive personally identifiable information, such as social security numbers, names, and dates of birth were stored on a critical database in clear text, and without mitigating controls.

The USM Office's response to this audit, on behalf of UB, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by UB.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "TJ Barnickel III". The signature is written in a cursive, flowing style.

Thomas J. Barnickel III, CPA  
Legislative Auditor

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## **Background Information**

### **Agency Responsibilities**

The University of Baltimore (UB) is a public institution of the University System of Maryland and operates under the jurisdiction of the System's Board of Regents. UB 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. UB's enrollment for the Fall 2016 semester totaled approximately 6,000 students. UB's budget is funded by unrestricted revenues, such as tuition and student fees, a State general fund appropriation, and restricted revenues, such as federal grants and contracts. According to the State's accounting records, UB's revenues for fiscal year 2016 totaled approximately \$130.4 million, including a State general fund appropriation of \$33.4 million, and its expenditures for fiscal year 2016 totaled \$130.4 million.

### **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 October 1, 2014. We determined that UB satisfactorily addressed three of these findings. The remaining finding is repeated in this report.

## Findings and Recommendations

### Contract Monitoring and Payments

#### **Finding 1**

**The University of Baltimore (UB) did not obtain adequate documentation from its marketing and advertising vendor to support the propriety of vendor payments, and approved an increase in the labor rate without processing a formal contract modification.**

#### **Analysis**

UB did not obtain adequate documentation from its marketing and advertising vendor to support the propriety of the vendor payments, including labor hours and media fund advances. In addition, UB informally approved an increase in the labor rate without processing a contract modification. UB procured a five-year marketing and advertising contract, effective July 2014, valued at \$5.5 million. During the first two years of the contract, UB paid the vendor approximately \$2 million, which included \$1.4 million in media advertisements and \$609,000 in labor charges, according to UB records.

UB did not obtain vendor employee time records to substantiate the hours billed. Upon our request, the vendor supplied time records for five invoices we selected for testing, totaling approximately \$158,000, which adequately supported the hours billed and paid.

Our review of the vendor invoices also noted that the vendor charged UB an hourly rate of \$135 for all labor hours, instead of the \$130 hourly rate stipulated in the contract. When we brought this to its attention, UB in consultation with the vendor advised that, prior to execution of the contract, it had verbally agreed to the higher rate, but that the written contract erroneously included the lower rate. UB could not adequately explain why it verbally agreed to the higher rate. Furthermore, UB did not prepare a formal contract modification as required by the University System of Maryland's *Procurement Policies and Procedures* prior to paying the higher rate.

Based on UB's records, we calculated that the difference in the hourly rate resulted in increased payments by UB of approximately \$22,600 during the first two years of the contract. Although UB and the vendor, subsequent to our inquiries, executed a retroactive contract modification in April 2017 to raise the hourly rate to \$135, it is incumbent upon UB to ensure that required modifications are in place prior to invoice payment, and that vendor invoices reflect actual contract rates.



UB did not maintain an independent accounting of transactions to assess the reasonableness of media fund advance requests, which would consider the amount of funds held by the vendor and the length of time such balances were held prior to spending the funds. The contract provided that UB would approve reasonable requests from the vendor for fund advances for media purchases, and that a process would be established to reconcile these advances with purchases made by the vendor. The vendor provided UB with a periodic summary of costs it had incurred on UB's behalf. After our inquiries, the vendor provided a summary of funds held at the end of each month for the period from January 2016 through March 2017. According to the vendor, the fund balance averaged \$104,000 during this period and ranged from a negative balance of \$53,000 to a positive balance of \$405,000.

### **Recommendation 1**

**We recommend that UB**

- a. obtain employee time records from the vendor to verify the propriety of billed hours;**
- b. ensure that a formal contract modification is prepared as required before changing contract requirements;**
- c. ensure that rates invoiced by the vendor agree with contract rates;**
- d. maintain an independent accounting of fund advances to the vendor and expenditures for media purchases, and use this to evaluate the reasonableness of the advance requests; and**
- e. seek legal advice regarding whether efforts should be made to collect the aforementioned \$22,600 from the vendor.**

### **Interagency Agreements**

#### **Finding 2**

**UB entered into three interagency agreements, totaling \$2.9 million, with the Maryland Department of Health (MDH) to provide staffing for certain services, which allowed MDH to avoid using competitive procurement processes for these services or seeking additional budgeted positions.**

#### **Analysis**

UB entered into three interagency agreements, valued at \$2.9 million, to provide staff for certain services to MDH (formerly the Department of Health and Mental Hygiene) which allowed MDH to avoid using competitive procurement processes for these services or seeking additional budgeted positions as necessary. Furthermore, the services provided appeared to be inconsistent with UB's

mission. As of December 2016, approximately \$1.1 million had been paid to UB, including \$166,000 in administrative fees, based on our calculation.

Under these agreements, UB's Schaefer Center for Public Policy provided staff to MDH, who performed services that appeared to be inconsistent with the Center's mission. The mission of the Center includes conducting opinion surveys and program evaluations. However, two of these agreements provided MDH with database administrators and the third agreement provided MDH with coordinators for the federal Vaccines for Children program. A total of seven staff were provided to MDH through these agreements.

The individuals provided under these agreements essentially functioned as MDH employees. UB performed no oversight or monitoring of these employees, and its involvement was generally limited to providing the employees and paying their salaries. MDH was responsible for the daily oversight of these employees, approving their timesheets, and conducting their performance evaluations. MDH reimbursed UB for their salaries and paid UB a 15 percent administrative fee.

### **Recommendation 2**

**We recommend that UB discontinue using interagency agreements which permit another agency to avoid using competitive procurement processes or seeking additional budgeted positions as necessary, or to provide staffing services inconsistent with its mission.**

## **Payroll**

### **Finding 3**

**UB did not adequately segregate duties related to processing critical personnel transactions.**

### **Analysis**

UB did not adequately segregate duties over the processing of critical transactions, such as adding employees and changing pay rates, on its automated personnel records. Consequently, unauthorized transactions could be processed without detection. Specifically, three employees had system access that allowed them to both initiate and approve transactions in the records without further independent review. These employees were provided this access to fulfill their job responsibilities, either in a primary or backup capacity. Although the automated system required two approvals for processing critical transactions, this control was ineffective since the same employee could provide both approvals.

During fiscal year 2016, UB had 721 authorized positions, and its payroll totaled approximately \$73 million.

### **Recommendation 3**

**We recommend that UB ensure that all critical transactions recorded in its personnel records are independently reviewed and approved for propriety by supervisory personnel.**

## **Cash Receipts**

### **Finding 4**

**Controls over collections were not sufficient to ensure all collections received were deposited.**

### **Analysis**

UB had not established adequate procedures to ensure that all collections were initially secured and subsequently deposited. Although most of UB's collections were initially received and recorded at its Bursar's Office, certain collections, such as those related to certain grants and rental fees, were first received and recorded at other campus offices, then transferred to the Bursar's Office for deposit. We reviewed collection procedures at the Bursar's Office and at two other campus locations. According to the State's records, collections deposited by the Bursar's Office during fiscal year 2016 totaled \$13.7 million, including \$4.5 million collected at these two other campus locations.

Checks received by these other two campus locations were recorded when received, but were not restrictively endorsed until they had been transferred to the Bursar's Office. Furthermore, at both locations, the procedures to verify recorded collections to the receipts provided by the Bursar's Office were performed by the same employees who initially received and recorded the collections, including in the accounting records, for their respective offices. The Comptroller of Maryland's *Accounting Procedures Manual* requires cash receipts be restrictively endorsed and recorded immediately upon receipt. The *Manual* also requires reconciliation of recorded cash receipts and amounts deposited by an employee independent of the cash receipts functions.

The verification of collections received in the Bursar's Office to the bank deposit was also ineffective. Specifically, the initial record of the collections (cash register tapes and accounting system reports), or a copy of the records, was not forwarded directly to the independent employee responsible for performing the verification. Instead, the records were first stored in an unsecured location where

they were accessible to employees who had access to collections, and were then provided to another employee for use as part of the bank deposit preparations process. As a result, the records could be altered and the corresponding funds misappropriated without timely detection. The failure to forward a copy of the initial record of collections directly to the independent employee responsible for verifying collections to deposit was commented upon in our preceding audit report.

#### **Recommendation 4**

**We recommend that UB**

- a. restrictively endorse all checks immediately upon receipt,**
- b. ensure that an employee independent of the collection function verifies that all collections received at locations other than the Bursar's Office are submitted to and received by the Bursar's Office for deposit, and**
- c. provide a copy of the initial record of collections received in the Bursar's Office directly to the independent employee responsible for verifying recorded collections to deposit (repeat).**

### **Student Accounts Receivable**

#### **Finding 5**

**Non-cash credit adjustments and students' residency status were not adequately controlled.**

#### **Analysis**

Adequate controls were not established over certain non-cash credit adjustments and initial residency status determinations recorded in student accounts. The propriety of these transactions is critical to ensure the accuracy of student billings and accounts receivable.

- Procedures established to review the propriety of non-cash credit adjustments processed in batches which, according to UB's records totaled approximately \$2.1 million during fiscal year 2016, were ineffective. The supervisory employee responsible for reviewing these adjustments also had access capability to process and post batch adjustments and, therefore, was not independent. In addition, UB did not generate available output reports of all adjustments processed in batch form to facilitate this employee's review; rather, the supervisory employee only reviewed adjustments that were forwarded by the employee who processed and posted the transactions. Consequently, there was a lack of assurance that only proper adjustments were

processed since, under these conditions, transactions could be unilaterally processed without independent supervisory review.

Non-cash credits to student accounts receivable are processed in batches primarily to record tuition waivers or remissions to multiple student accounts. For example, these adjustments may be processed for University System of Maryland employees who are enrolled in UB classes and, therefore, qualify for a reduction in tuition.

- Procedures to review the propriety of initial residency status determinations for law school students were ineffective because the reviewer was not independent. Initial residency status determinations were made by Law School Admissions Office personnel based primarily on the student's application. A supervisory employee then reviewed the determinations and any supporting documentation using an output report of initial determinations recorded. However, this supervisory employee was not independent because the employee also had access capability to change a student's residency status in UB's automated records. As a result, there was a lack of assurance that each student's residency status was proper.

Accurate determinations of student residency status are critical because of the potential significant differences between in-state and out-of-state student tuition rates. For example, full-time tuition for Maryland residents attending UB's law school program was \$28,134 during fiscal year 2017, whereas the rate for out-of-state students was \$41,962.

The University of Maryland's *IT Security Standards* require that institutions segregate functions to ensure the appropriate separation of duties for system users.

#### **Recommendation 5**

**We recommend that UB**

- a. ensure that an employee without the access capability to process non-cash credit adjustments use an independently prepared output report of adjustments processed to identify and verify adjustments to supporting documentation, and**
- b. ensure that the employee responsible for reviewing and approving initial residency status determinations for law school students in UB's records does not have the capability to modify a determination.**

## Student Financial Aid

### **Finding 6**

**UB lacked evidence of supervisory reviews and system access was not adequately restricted to ensure the propriety of financial aid awarded to students.**

### **Analysis**

Controls over student financial aid were insufficient because of deficiencies relating to supervisory reviews of monitoring procedures and employee access to automated records. According to UB's records, during fiscal year 2016, financial aid awarded to students totaled \$74 million.

- UB lacked evidence that supervisors were ensuring that verifications of student financial aid applications were being performed and that any needed corrections were made to student application data. Although UB advised us that supervisory personnel ensured that a selected percentage of application data were being verified by obtaining documentation from the students, there was no documentation that these supervisory reviews were performed.
- UB advised us that no supervisory reviews were performed to ensure that satisfactory academic progress was being verified. UB established a policy defining satisfactory academic progress for UB students, such as maintaining a specified grade point average and completing a specified percentage of course credits attempted for a semester. The policy stipulates that students must continue to meet the requirements of satisfactory academic progress in order to be eligible to receive federal, State, and institutional financial aid.
- UB did not ensure that access capabilities assigned to employees on its financial management system were adequately restricted to prevent improper financial aid transactions. Our review of 10 critical financial aid functions disclosed that 10 employees had inappropriate access to one or more function. For example, 3 of these employees, who were responsible in either a primary or backup capacity for reviewing student financial aid award decisions, had the capability to change financial aid award amounts and authorize the disbursement of financial aid. Furthermore, 4 of the 10 employees were assigned unnecessary access to at least 3 or more functions based on their job duties. For example, these employees were able to modify the amount of financial aid for which students could qualify.

## **Recommendation 6**

**We recommend that UB**

- a. ensure that verifications of student financial aid application and eligibility data are performed and documented; and**
- b. restrict user access capabilities for critical functions to those employees who require such capabilities for their job duties, including those noted above, in a manner that ensures a proper segregation of duties.**

## **Information Systems Security and Control**

### **Finding 7**

**Sensitive personally identifiable information (PII) maintained by UB was stored without adequate safeguards.**

### **Analysis**

Sensitive PII maintained by UB was stored in clear text. Specifically, we noted that a critical database associated with the student information system contained 117,793 unique social security numbers stored in clear text along with names, addresses, and dates of birth as of November 4, 2016. In addition, we were advised that this sensitive PII was not protected by other substantial mitigating controls.

This sensitive PII is commonly associated with identity theft. Accordingly, appropriate information system security controls need to exist to ensure that this information is safeguarded and not improperly disclosed.

The *USM IT Security Standards* state that USM institutions must utilize encryption for confidential data while the data are in transit or at rest on any media or apply compensating controls that are equally secure.

### **Recommendation 7**

**We recommend that UB properly protect sensitive PII information by encryption or other substantial mitigating controls.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Baltimore (UB) for the period beginning July 31, 2013 and ending September 12, 2016. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine UB's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

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, information systems security and control, payroll, student financial aid, and corporate purchasing cards. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to UB 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 financial assistance programs and an assessment of UB'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.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of UB's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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 UB'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.

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

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

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

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

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

APPENDIX



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OFFICE OF THE CHANCELLOR

Mr. Thomas J. Barnickel III, CPA  
Legislative Auditor  
Office of Legislative Audits  
State Office Building, Room 1202  
301 West Preston Street  
Baltimore, MD 21201

January 5, 2018

Re: University System of Maryland – University of Baltimore  
Period of Audit: July 31, 2013 through September 12, 2016

Dear Mr. Barnickel:

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 Baltimore. Our comments refer to the individual items in the report.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Robert L. Caret', with a long horizontal line extending to the right.

Robert L. Caret  
Chancellor

Enclosures

cc: -

Mr. Kurt L. Schmoke, President, UB  
Ms. Barbara Aughenbaugh, Associate Vice President for Administration and Finance, UB  
Mr. James T. Brady, Chair, University System of Maryland Board of Regents  
Mr. Robert L. Page, Associate Vice Chancellor for Financial Affairs, USM Office  
Mr. David Mosca, Director of Internal Audit, USM Office

**RESPONSE TO LEGISLATIVE AUDIT REPORT  
UNIVERSITY SYSTEM OF MARYLAND  
UNIVERSITY OF BALTIMORE  
JULY 31, 2013 TO SEPTEMBER 12, 2016**

**Contract Monitoring and Payments**

**Finding 1**

**The University of Baltimore (UB) did not obtain adequate documentation from its marketing and advertising vendor to support the propriety of vendor payments, and approved an increase in the labor rate without processing a formal contract modification.**

**Recommendation 1**

**We recommend that UB**

- a. obtain employee time records from the vendor to verify the propriety of billed hours;**
- b. ensure that a formal contract modification is prepared as required before changing contract requirements;**
- c. ensure that rates invoiced by the vendor agree with contract rates;**
- d. maintain an independent accounting of fund advances to the vendor and expenditures for media purchases, and use this to evaluate the reasonableness of the advance requests; and**
- e. seek legal advice regarding whether efforts should be made to collect the aforementioned \$22,600 from the vendor.**

**University response**

The University of Baltimore agrees with these five recommendations. A corrective action plan will be finalized by March 2018, which will ensure an independent accounting and tracking of media purchases and fund advances to the vendor. We will consult the Office of the Attorney General regarding the \$22,600 recoupment.

**Interagency Agreements**

**Finding 2**

**UB entered into three interagency agreements, totaling \$2.9 million, with the Maryland Department of Health (MDH) to provide staffing for certain services, which allowed MDH to avoid using competitive procurement processes for these services or seeking additional budgeted positions.**

**Recommendation 2**

**We recommend that UB discontinue using interagency agreements which permit another agency to avoid using competitive procurement processes or**

**RESPONSE TO LEGISLATIVE AUDIT REPORT  
UNIVERSITY SYSTEM OF MARYLAND  
UNIVERSITY OF BALTIMORE  
JULY 31, 2013 TO SEPTEMBER 12, 2016**

**seeking additional budgeted positions as necessary, or to provide staffing services inconsistent with its mission.**

**University response**

The University of Baltimore accepts this recommendation. It was not the intent of the Schaefer Center for Public Policy (or UB) to improperly provide staff for DHMH. The goal was to provide temporary staffing resources to assist our agency partner in successfully implementing and satisfying externally funded initiatives and projects. Going forward, the Schaefer Center has established procedures to avoid entering into interagency agreements to provide staffing services unrelated to the Center's mission. Two of the referenced agreements have already expired and were not renewed. The third agreement expires on March 31, 2018 and will not be renewed.

**Payroll**

**Finding 3**

**UB did not adequately segregate duties related to processing critical personnel transactions.**

**Recommendation 3**

**We recommend that UB ensure that all critical transactions recorded in its personnel records are independently reviewed and approved for propriety by supervisory personnel.**

**University response**

The University of Baltimore agrees with this recommendation. To enhance the segregation of critical duties, a new security role for supervisory approval was developed and implemented in October 2017.

**Cash Receipts**

**Finding 4**

**Controls over collections were not sufficient to ensure all collections received were deposited.**

**Recommendation 4**

**We recommend that UB**

- a. restrictively endorse all checks immediately upon receipt,**

**RESPONSE TO LEGISLATIVE AUDIT REPORT  
UNIVERSITY SYSTEM OF MARYLAND  
UNIVERSITY OF BALTIMORE  
JULY 31, 2013 TO SEPTEMBER 12, 2016**

- b. ensure that an employee independent of the collection function verifies that all collections received at locations other than the Bursar's Office are submitted to and received by the Bursar's Office for deposit, and**
- c. provide a copy of the initial record of collections received in the Bursar's Office directly to the independent employee responsible for verifying recorded collections to deposit (repeat).**

**University response**

The University of Baltimore agrees with these three recommendations and implemented each of them, effective July 1, 2017.

**Student Accounts Receivable**

**Finding 5**

**Non-cash credit adjustments and students' residency status were not adequately controlled.**

**Recommendation 5**

**We recommend that UB**

- a. ensure that an employee without the access capability to process non-cash credit adjustments use an independently prepared output report of adjustments processed to identify and verify adjustments to supporting documentation, and**
- b. ensure that the employee responsible for reviewing and approving initial residency status determinations for law school students in UB's records does not have the capability to modify a determination.**

**University response**

The University of Baltimore agrees with these two recommendations. We have implemented an independent review and approval of all noncash credit adjustments, including a verification of supporting documentation. Additionally, we have removed the ability to modify residency determination from the aforementioned School of Law's Admissions Office personnel.

**RESPONSE TO LEGISLATIVE AUDIT REPORT  
UNIVERSITY SYSTEM OF MARYLAND  
UNIVERSITY OF BALTIMORE  
JULY 31, 2013 TO SEPTEMBER 12, 2016**

**Student Financial Aid**

**Finding 6**

**UB lacked evidence of supervisory reviews and system access was not adequately restricted to ensure the propriety of financial aid awarded to students.**

**Recommendation 6**

**We recommend that UB**

- a. ensure that verifications of student financial aid application and eligibility data are performed and documented; and**
- b. restrict user access capabilities for critical functions to those employees who require such capabilities for their job duties, including those noted above, in a manner that ensures a proper segregation of duties.**

**University response**

The University of Baltimore agrees with this recommendation and:

- a. Began documenting supervisory review over financial aid award effective the 2017-2018 award year.
- b. Has begun the detailed analysis needed to restrict user access capabilities for critical functions to those employees who require it for their job duties, and ensures proper segregation of access between functional users and supervisors performing review of these functions. We anticipate the access being adjusted no later than March 1, 2018.

**Information Systems Security and Control**

**Finding 7**

**Sensitive personally identifiable information (PII) maintained by UB was stored without adequate safeguards.**

**Recommendation 7**

**We recommend that UB properly protect sensitive PII information by encryption or other substantial mitigating controls.**

**University response**

The University of Baltimore agrees with this recommendation and on March 24, 2017, implemented data encryption for the student information system to protect confidential data at rest.

AUDIT TEAM

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