

Audit Report

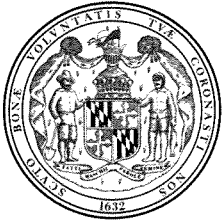
**University System of Maryland
University of Maryland University College**

February 2013



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

February 14, 2013

Karl S. Aro
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the University System of Maryland (USM) – University of Maryland University College (UMUC) for the period beginning August 1, 2008 and ending March 20, 2011. UMUC offers degree and non-credit educational programs to part-time students who prefer not to enroll in more traditional full-time programs.

Our audit disclosed security and control deficiencies in UMUC's network that includes student and financial applications, as well as online educational courses, serving students around the world. UMUC did not adequately restrict employee access to student accounts receivable transactions processed in its automated system. In addition, adequate security reporting and password controls were not established over critical applications and databases, and the internal computer network was not sufficiently secured from both internal and external sources.

UMUC did not require an overseas company that was responsible for administering a UMUC doctoral program to post a surety bond to protect UMUC's interests. The company failed to make all required payments and the balance due, totaling \$547,000, was transferred to the State's Central Collection Unit for collection. Finally, our audit disclosed certain questionable payments made to former employees.

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

Respectfully submitted,



Thomas J. Barnickel III, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on University System of Maryland University of Maryland University College (UMUC) February 2013

- **Employee access to the automated student accounts receivable system was not adequately controlled, allowing 11 employees the capabilities to process, initiate, and approve critical transactions that were not necessary for them to perform their normal job duties.**

UMUC should assess current user access capabilities and assign user capabilities commensurate with normal job duties.

- **A number of security and control deficiencies were noted with regard to UMUC's information systems. For example, certain firewalls allowed numerous, unnecessary connections to portions of UMUC's network, and security reporting and access controls were not adequate over critical applications and databases for the student administration, human resources, and financial information systems.**

UMUC should take the recommended actions to improve information systems controls and security.

- **UMUC did not require an overseas company, that was responsible for administering a UMUC doctoral program, to obtain a surety bond to protect UMUC's interests. The company failed to make payments required under the terms of the agreement and UMUC sent the receivable, totaling \$547,000, to the State's Central Collection Unit for collection.**

UMUC should require a fiduciary to secure a surety bond of an appropriate dollar amount when administering funds on behalf of the University.

- **Certain questionable and unsupported payments were made to former UMUC employees. For example, two former European Division employees were paid for retirement benefits and related interest they were entitled to, but did not receive; however, UMUC could not support how the \$248,000 payment was calculated or its relationship to the value of the unpaid retirement benefits. Another employee received \$128,000 in what appeared to be sabbatical leave payments even though UMUC faculty is not eligible for sabbatical leave.**

UMUC should take the recommended actions regarding payments to former employees.

Background Information

Agency Responsibilities

The University of Maryland University College (UMUC) is a public institution of the University System of Maryland (USM) and operates under the jurisdiction of the System's Board of Regents. UMUC offers degree and non-credit educational programs to part-time students who prefer not to enroll in more traditional full-time programs. UMUC comprises three major divisions: the Statewide Division, the Asian Division, and the European Division. These three divisions offer educational programs at a number of locations primarily throughout the State of Maryland, as well as in numerous foreign countries. The Statewide Division also administers educational and training programs for adults, and maintains a residential conference center that includes conference rooms, guest accommodations, dining facilities, and an auditorium. UMUC's main administrative office and residential conference center are located in College Park, Maryland. The Asian Division is headquartered in Tokyo, Japan and the European Division is headquartered in Heidelberg, Germany.

For fiscal year 2012, UMUC's enrollment totaled 97,001 students. UMUC'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. According to the State's accounting records, fiscal year 2012 and 2011 revenues totaled approximately \$416.5 million and \$375.4 million, respectively, which included a State general fund appropriation of approximately \$31.1 million and \$30.3 million, respectively.

Significant Events Subsequent to the End of Fieldwork

The regular fiscal compliance audit of UMUC for the audit period beginning August 1, 2008 and ending March 20, 2011 was originally conducted during the period from March 2011 to August 2011. After the conclusion of fieldwork, but prior to the issuance of the related audit report, we became aware of certain significant events that necessitated additional focused audit work. These events included the resignation of the UMUC president, certain public allegations against UMUC, and the receipt of referrals to our fraud, waste, and abuse hotline alleging certain improprieties including certain personnel actions and payroll transactions.

Consequently, we expanded our fieldwork to address certain of the more significant events and referred others to the USM Office of Internal Audits for consideration and eventual follow-up. This audit contains the results of our originally completed fieldwork (findings 1 to 3) and the subsequent expanded test work (findings 4 to 7).

Contractor Overpayment

As the result of an anonymous letter, USM management initiated an independent review of certain UMUC operations. Based on the resultant report, the University System of Maryland's Office of Internal Audit (OIA) initiated a review in January 2012 of UMUC expenditures made during the period from July 2007 through March 2009 related to the UMUC Internet advertising contract. Under this contract, the vendor placed advertisements on various websites to generate student leads. Based upon the responses to the advertising, the vendor was then responsible for providing the student leads to UMUC and was subsequently paid based upon the number of leads generated. However, UMUC did not verify the leads billed on the vendor invoices to its own record of leads generated. OIA identified potential overpayments totaling approximately \$3.3 million. These potential overpayments occurred because the contractor improperly billed UMUC for 43,662 leads that were never received, at a cost of \$75 per lead. USM referred the results of the OIA work to the Office of the Attorney General-Criminal Division. A referral to the Division does not mean that a violation of the law has actually occurred or that legal action will be taken.

Based on our audit we determined that, subsequent to March 2009, but prior to the aforementioned vendor going out of business in July 2010, UMUC had implemented effective controls to ensure the propriety of the payments for these services. Effective April 2011 UMUC discontinued paying for Internet advertising services based on the number of leads or applications generated.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the eight findings contained in our preceding audit report dated June 12, 2009. We determined that UMUC satisfactorily addressed these findings.

Findings and Recommendations

Student Accounts Receivable

Finding 1

Employee access to the automated system was not adequately controlled.

Analysis

The University of Maryland University College (UMUC) had not adequately restricted employee access to the student accounts receivable segment of its computer system. Specifically, 11 employees had capabilities allowing them to process non-cash credits; initiate, approve, and release refunds; write off student account balances; adjust tuition and fees; and record payments. Such access was not necessary for these employees to perform their normal job duties.

As a result of these deficiencies, unauthorized transactions could potentially be processed without detection. According to UMUC's records, the balance of student accounts receivable totaled approximately \$24.1 million as of June 30, 2011.

Recommendation 1

We recommend that UMUC assess current user access capabilities and assign user access capabilities to critical student account data to only those individuals who require such access to perform their normal job duties.

Information Systems Security and Control

Background

UMUC maintains an internal network that includes various servers used for student and financial applications. Other key resources include servers supporting online education courses, UMUC's email and website, student and employee activities, and three separate connections to the Internet. Information systems are integral to the UMUC online education function and provide an interactive classroom experience to its students and faculty. Online education services range from supplementing traditional classroom sessions to complete course delivery, allow instructors to deliver materials, and allow students to submit related class work and interact with classmates and instructors. Online educational courses serve students around the world and account for a significant portion of UMUC's revenues. For example, we were advised that approximately 90 percent of

UMUC's fiscal year 2011 stateside credit hours were taken through online courses. In addition, UMUC operates student administration, human resources, and financial information systems.

Finding 2

Security reporting and access controls over certain critical applications and related databases were not adequate.

Analysis

Security reporting and access controls over certain critical applications and related databases were not adequate. Specifically, we noted the following conditions over the student administration, financials, and human resources applications and the related databases:

- Although UMUC generated and reviewed various database security reports, critical security events were excluded from these reports. Specifically, actions performed by individuals associated with certain critical database administrative accounts and the uses of certain modification statements (for example, delete, insert, and update) were not included in these reports.
- Although UMUC generated and reviewed two security reports for the aforementioned applications, these reports did not include certain critical security events. Specifically, these reports did not include additions and changes to application users and roles, and most changes to related permission capabilities.
- Password controls over the aforementioned databases did not comply with the University System of Maryland's (USM) *Guidelines in Response to the State's IT Security Policy*. We noted problems with password length and complexity.

Recommendation 2

We recommend that UMUC

- a. amend its database and application security reports to include all of the aforementioned critical security-related events, and**
- b. ensure that its database password controls comply with the requirements of the University System of Maryland's *Guidelines in Response to the State's IT Security Policy*.**

Finding 3

UMUC's computer network was not adequately secured.

Analysis

Adequate security measures had not been established to protect UMUC's critical network devices and administrative systems from external and internal threats. Specifically, we noted the following conditions:

- Firewall rules on several firewalls allowed numerous, unnecessary connections to portions of UMUC's network, placing various network devices at risk. For example, we noted firewall rules that allowed unnecessary access from any external source to critical domain controllers over select ports.
- Logging and monitoring of security-related events on the UMUC headquarters' firewalls were not adequate. Specifically, successful and failed connections to these firewalls were not logged. In addition, the firewalls were not configured to send email alerts to administrators concerning critical issues affecting the devices' operational status. Finally, we were advised that manual, rather than automated, reviews of the voluminous firewall logs were performed and there was no documentation of these reviews.

The USM's *Guidelines in Response to the State's IT Security Policy* requires that institutional networks be protected by firewalls at identified points of interface as determined by system sensitivity and data classification, and that the firewalls be configured to block all services not required and to prevent direct accessing of trusted network addresses from untrusted networks. In addition, the *Guidelines* require that firewalls maintain comprehensive audit trails.

Recommendation 3

We recommend that UMUC

- a. configure its firewalls to adequately secure its network;**
- b. log successful and failed connections to the headquarters' firewalls;**
- c. configure the headquarters' firewalls to send email alerts to administrators concerning the devices' operational status; and**
- d. use an automated process to review the voluminous headquarters' firewalls logs, document these reviews, and retain this documentation for audit verification purposes.**

Third-Party Receivable

Finding 4

UMUC did not obtain a surety bond to cover funds handled by an overseas company in conjunction with its administration of a UMUC doctoral program. As a result, the collectability of outstanding debt totaling \$547,000 is uncertain.

Analysis

UMUC did not adequately control funds handled by an overseas company as part of its administration of a UMUC doctoral program. In May 2006, UMUC entered into a multi-year Memorandum of Agreement (MOA) with a company located in Taiwan to administer and provide overseas recruiting services for a UMUC doctoral program. According to the MOA, in addition to collaborating with UMUC to offer this program at the company's facilities in Taiwan, the company collected all fees and tuition from the students participating in the program in Taiwan and, after deducting its service fees, remitted the funds to UMUC. From the inception of the MOA in 2006 through the Spring 2010 semester, the company remitted to UMUC approximately \$2 million under the agreement. However, the MOA did not require the company to secure a surety bond as protection against losses if the company failed to meet its contractually required fiduciary responsibilities.

In the spring of 2009, the company failed to make all required payments to UMUC in accordance with the MOA even though it had collected full tuition from the students. Based on correspondence between UMUC and the company, UMUC initially issued a notice of contract termination on April 3, 2009, at which time the company owed UMUC approximately \$351,000. In consultation with its legal counsel, UMUC extended the notice period to allow the company an opportunity to cure its breach of the agreement and established a payment plan with the company. However, the company did not fully comply with the payment plan and the MOA was terminated on April 5, 2010, with the unremitted payments totaling \$365,000. Although the MOA indicates that UMUC shall have no obligation to offer any course upon failure of the company to remit tuition with respect to that course, UMUC made the decision to continue to provide instruction to certain students who were nearing the completion of the doctoral program. UMUC estimated that the additional costs associated with providing these services totaled \$182,000.

UMUC sent this third-party receivable account to the State's Central Collection Unit (CCU) in May 2010 for the outstanding debt of \$547,000, which includes the amount for the continued instruction of the students. As of August 14, 2012, no collection of the debt had been made by CCU.

Recommendation 4

We recommend that UMUC require, when appropriate, a fiduciary to secure a surety bond of an appropriate dollar amount when administering funds on behalf of UMUC.

Payroll Expenditures

Finding 5

Payments to two former UMUC employees totaling \$248,000 were not adequately supported.

Analysis

UMUC made payments to two former European Division employees totaling approximately \$248,000 that were not adequately supported. In July 2009, UMUC entered into an agreement with these employees to reimburse them for retirement benefits that should have been accrued during their employment with the European Division and the related interest (that is, the lost investment opportunity from the unavailability of the benefit payments). These individuals were employed with the European Division from 1976 to 1993 and from 1981 to 1993, and were entitled to retirement benefits in accordance with the terms of their employment. In accordance with the agreement, these employees received payments totaling \$248,000 during the period from October 2008 through April 2011. However, UMUC could not provide any documentation to support how the \$248,000 amount was calculated nor could it provide any documentation as to the value of retirement benefits the employees were owed. As a result, there is no assurance as to the propriety of the payments.

Recommendation 5

We recommend that UMUC maintain documentation to support the amount of all payroll disbursements.

Finding 6

Questionable compensation payments totaling \$128,000 were made to one employee.

Analysis

UMUC made questionable compensation payments totaling \$128,000 to one Asian Division employee. As a result of our review of an allegation received through our fraud, waste, and abuse hotline, one employee was identified who appeared to have been granted sabbatical leave based on correspondence (email) between the employee and UMUC management. According to available UMUC payroll records, during the period from October 2007 to September 2008, while apparently on sabbatical leave, the employee received compensation totaling approximately \$128,000. According to the *USM Policy on Sabbatical Leave for Faculty*, to be eligible for sabbatical leave, a full-time faculty member shall have been granted tenure. However, according to the *UMUC Policy on Faculty Appointment, Rank and Promotion*, all faculty positions at UMUC are non-tenured. Consequently, UMUC faculty is not eligible for sabbatical leave.

When we discussed this matter with current UMUC management, it was unclear to them exactly what happened during this period. While we were advised that this employee worked during the month of December 2007, there was no documentation, such as timesheets, to support this claim. Management further stated that, for the remainder of this time, the employee may have been on administrative leave; however, management could not substantiate this claim. Furthermore, according to UMUC regulations, under normal circumstances, administrative leave is limited to 30 days of pay for overseas division employees.

Recommendation 6

We recommend that UMUC

- a. not grant sabbatical leave to any non-tenured faculty in accordance with USM policy; and**
- b. in conjunction with legal counsel, determine appropriate action, including recovery of improper payroll payments.**

Finding 7

UMUC did not comply with certain policies relating to the separation of employment for staff, resulting in potential overpayments totaling approximately \$39,000.

Analysis

UMUC did not always comply with its Overseas Human Resource Policy Manual's *Policy on Involuntary Separation of Staff*. Based on an allegation of improper leave granted to certain employees, which was received through our fraud, waste, and abuse hotline, we reviewed related leave payments for 21 former employees. As a result, we identified 4 employees of UMUC's overseas divisions (which include the Asian and European Divisions), with payments totaling \$54,000, who received more than thirty days of paid administrative leave during fiscal years 2009 through 2011, contrary to UMUC policy; this resulted in potential overpayments totaling approximately \$39,000. Specifically, one employee received five months of paid administrative leave and the remaining three employees received three months of paid administrative leave. The aforementioned *Policy* states that overseas staff members who receive an involuntary separation will receive 30 days' notice of the involuntary separation from employment (the period of notice separation). The *Policy* further states that, at the option of the Director of the overseas divisions or designee, an employee who has been notified of a period of notice separation may be granted administrative leave with pay for any part or all of the period of notice (that is, up to a maximum of 30 days).

Furthermore, the Overseas Human Resource Policy Manual's *Policy on Administrative Leave with Pay*, states that, at the discretion of the Director of the overseas divisions, requests for administrative leave may be approved as an extraordinary circumstance or the Director may require a staff member to take administrative leave for any purpose that benefits the University. Even though these payments appeared to be based on situations involving employment separation and would therefore be limited to 30 days, UMUC management contends that these payments represented purposes that benefited the University, permitting the payments beyond 30 days. However, UMUC could not provide documentation that explained or otherwise justified how these payments benefited the University or that they were for anything other than a separation of employment.

Recommendation 7

We recommend that UMUC, when approving administrative leave payments beyond the normal 30-day period for employees of its overseas divisions, document the benefit to the University supporting this action.

Audit Scope, Objectives, and Methodology

We have audited the University System of Maryland (USM) – University of Maryland University College (UMUC) for the period beginning August 1, 2008 and ending March 20, 2011. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine UMUC's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included purchases and disbursements of UMUC's operating expenditures, student accounts receivable, cash receipts, information systems security and control, and student financial aid. After the conclusion of fieldwork, but prior to the issuance of the related audit report, we became aware of certain significant events, including personnel actions and payroll transactions, through referrals to our fraud, waste, and abuse hotline. Consequently, we expanded our fieldwork to address certain of the more significant events and referred others to the USM Office of Internal Audits for consideration and eventual follow-up. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of UMUC's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

With respect to UMUC's Asian and European Divisions, with the exception of the aforementioned subsequent fieldwork, our audit did not include an evaluation of financial transactions, records, and internal controls and an assessment of compliance with State laws, rules, and regulations. These divisions, which according to UMUC's records, accounted for approximately 6.5 percent and 11.4 percent of UMUC's fiscal year 2011 revenues, respectively, are reviewed on a triennial basis by the USM internal auditors.

In addition, our audit did not include certain support services provided to UMUC by the USM Office (such as endowment accounting and bond financing) and by the University of Maryland, College Park (such as processing vendor payment transmittals and payroll). These support services are included within the scope of our audits of the USM Office and the University of Maryland, College Park, respectively. Furthermore, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of UMUC's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including the components of USM.

UMUC'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.

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

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

APPENDIX



OFFICE OF THE CHANCELLOR

February 11, 2013

Mr. Thomas J. Barnickel III, 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 Maryland University College
Period of Audit: August 1, 2008
Through March 20, 2011

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 of Maryland University College. Our comments refer to the individual items in the report.

Sincerely,

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

William E. Kirwan
Chancellor

WEK:mk
Enclosures

cc: Mr. Javier Miyares, President, UMUC
Mr. James L. Shea, Chair, Board of Regents
Mr. Anwer Hasan, Chairman, MHEC
Dr. Danette Howard, Secretary of Higher Education, MHEC
Mr. Robert Page, Associate Vice Chancellor of Finance, USM Office
Mr. David Mosca, Director of Internal Audits, USM Office

1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

1865
Bowie State University

1866
Towson University

1886
University of Maryland
Eastern Shore

1898
Frostburg State University

1900
Coppin State University

1925
Salisbury University

1925
University of Baltimore

1925
University of Maryland
Center for Environmental
Science

1947
University of Maryland
University College

1966
University of Maryland,
Baltimore County

Student Accounts Receivable

Finding 1

Employee access to the automated system was not adequately controlled.

Recommendation 1

We recommend that UMUC assess current user access capabilities and assign user access capabilities to critical student account data to only those individuals who require such access to perform their normal job duties.

UMUC Response:

UMUC agrees with the finding and as recommended, conducted a thorough review of individual access to critical student account data systems and removed access from all but those that required such access to perform their ordinary job duties. In addition, UMUC developed and, starting in March, will run two critical system audit reports periodically that will monitor activities in critical function systems and track changes in security access. These reports will be reviewed by management who will address any concerns immediately.

Finding 2

Security reporting and access controls over certain critical applications and related databases were not adequate.

Recommendation 2

We recommend that UMUC

- a. amend its database and application security reports to include all of the aforementioned critical security-related events, and**
- b. ensure that its database password controls comply with the requirements of the University System of Maryland's *Guidelines in Response to the State's IT Security Policy*.**

UMUC Response:

UMUC agrees with this finding and has taken steps to ensure that we comply with the recommendations. Specifically UMUC upgraded to a new version of PeopleSoft (PS 9) that monitors and logs critical security events for student administration, financials, and human resource applications and for other data base queries as well. The monitoring activity specifically generates detailed reports on additions and deletions of user roles and users and changes to access permissions. In addition, UMUC has partnered with a third party to manage and support our PS 9 environment on a 24/7 basis, 365 days a year.

RESPONSE TO THE DRAFT LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE
FOR THE PERIOD AUGUST 1, 2008 – MARCH 20, 2011

UMUC is using a firewall to monitor access to specific Internet access points that prevents unauthorized access. Additionally UMUC has created a complex password policy that is strictly enforced for system and database administrative user accounts that compliments and exceeds the requirements outlined in the USM password policy.

Finding 3
UMUC's computer network was not adequately secured.

Recommendation 3

We recommend that UMUC

- a. **configure its firewalls to adequately secure its network;**
- b. **log successful and failed connections to the headquarters' firewalls;**
- c. **configure the headquarters' firewalls to send email alerts to administrators concerning the devices' operational status; and**
- d. **use an automated process to review the voluminous headquarters' firewalls logs, document these reviews, and retain this documentation for audit verification purposes.**

UMUC Response:

UMUC agrees with this finding and has taken steps to appropriately configure its firewalls. Steps that have been taken to date include the following:

- UMUC has reviewed its firewall rules and converted to new firewalls at key Internet points.
- UMUC has begun monitoring its firewall rules and other device using a Managed Security Services Provider (MSSP) which provides 24/7 monitoring 365 days a year, real time reporting of incidents using a Security Incident Event Management (SEIM) tool, updated its incident reporting and response process, and created a log management and review process.

UMUC replaced its internet-facing firewalls at its Adelphi and Largo locations with next-generation firewalls. The migration of the firewalls included configuration, installation of the device, installation of management software on UMUC's services, testing the firewalls for proper functionality, and tuning the devices to provide optimal threat detection and prevention.

RESPONSE TO THE DRAFT LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE
FOR THE PERIOD AUGUST 1, 2008 – MARCH 20, 2011

Third-Party Receivable

Finding 4

UMUC did not obtain a surety bond to cover funds handled by an overseas company in conjunction with its administration of a UMUC doctoral program. As a result, the collectability of outstanding debt totaling \$547,000 is uncertain.

Recommendation 4

We recommend that UMUC require, when appropriate, a fiduciary to secure a surety bond of an appropriate dollar amount when administering funds on behalf of UMUC.

UMUC Response:

Although a surety bond may not be obtainable in certain contractual matters, UMUC agrees that it will seek a surety bond for contracts when appropriate.

Payroll Expenditures

Finding 5

Payments to two former UMUC employees totaling \$248,000 were not adequately supported.

Recommendation 5

We recommend that UMUC maintain documentation to support the amount of all payroll disbursements.

UMUC Response:

UMUC agrees with this finding and will take measures to ensure that there is documentation to support all payroll disbursements.

Finding 6
Questionable compensation payments totaling \$128,000 were made to one employee.

Recommendation 6

We recommend that UMUC

- a. not grant sabbatical leave to any non-tenured faculty in accordance with USM policy; and**
- b. in conjunction with legal counsel, determine appropriate action, including recovery of improper payroll payments.**

UMUC Response:

UMUC agrees with this finding and will not grant sabbatical leave to any non-tenured faculty unless the applicable USM policy is amended to provide that non-tenured faculty are eligible for sabbatical leave. UMUC will consult with the Office of the Attorney General to determine if any action should be taken to recover the payroll payments provided during the sabbatical leave period.

Finding 7
UMUC did not comply with certain policies relating to the separation of employment for staff, resulting in potential overpayments totaling approximately \$39,000.

Recommendation 7

We recommend that UMUC, when approving administrative leave payments beyond the normal 30-day period for employees of its overseas divisions, document the benefit to the University supporting this action.

UMUC Response:

Although UMUC believes that the granting of the additional administrative leave was in accordance with the applicable policy, UMUC agrees that it will ensure that proper documentation supporting the administrative leave is maintained.

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