

Audit Report

University System of Maryland Towson University

November 2016



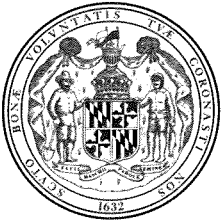
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

November 1, 2016

Senator Guy J. Guzzone, 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) – Towson University (TU) for the period beginning December 12, 2011 and ending June 30, 2015. TU is a comprehensive public institution and provides a broad range of baccalaureate, graduate, and doctoral programs in the liberal arts and sciences.

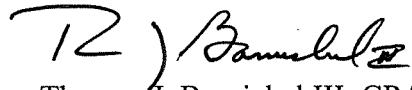
Our audit disclosed that TU did not ensure that its Provost Scholarship award amounts were properly adjusted as required by a recipient's change in residency status, and our testing of 21 students disclosed award overpayments to 9 students totaling \$123,500. During fiscal year 2015, Provost Scholarship awards totaled \$5.7 million. In addition, TU entered into three consecutive interagency agreements with another State agency that enabled that agency to fill a critical information technology position in a manner that was inconsistent with State law.

TU had not adequately secured its information systems. For example, sensitive personally identifiable information for 334,771 unique individuals was stored in a critical database in clear text and, as such, was not properly protected. In addition, many computers tested did not have the necessary anti-malware software installed and operational.

Other control deficiencies were noted regarding changes to student residency status, critical financial aid functions, certain cash receipts, and payroll. For example, automated reports of residency changes were not used to ensure the propriety of changes made by all departments, and employee access to process critical financial aid transactions was not adequately restricted.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "TJ Barnickel III". The signature is stylized with a large "T" and "J" and a cursive "Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

Towson University (TU) is a comprehensive public institution of the University System of Maryland and operates under the jurisdiction of the System's Board of Regents. TU provides a broad range of baccalaureate programs in both traditional arts and sciences and in applied professional fields, as well as selected professionally oriented graduate and doctoral programs. Student enrollment for the Fall 2015 semester totaled 22,284, including 19,049 undergraduate students and 3,235 graduate and doctoral students. TU's budget is funded by unrestricted revenues, such as tuition and fees and a State general fund appropriation, as well as restricted revenues, such as federal grants and contracts. According to the State's accounting records, TU's revenues for fiscal year 2015 totaled approximately \$445.7 million, including a State general fund appropriation of approximately \$103 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated June 18, 2013. We determined that TU satisfactorily addressed five of these findings. The remaining finding is repeated in this report.

Findings and Recommendations

Student Financial Aid

Finding 1

Towson University did not have an adequate process to monitor and adjust Provost Scholarship awards for changes in students' residency status, resulting in overpayments of scholarships totaling \$123,500 to 9 out of 21 students tested.

Analysis

Towson University (TU) did not have an adequate process to monitor Provost Scholarship awards to ensure that students were receiving the correct scholarship award amounts based on their current residency status. The Provost Scholarship is a competitive merit-based scholarship offered by TU. During fiscal year 2015, TU awarded 1,057 Provost Scholarships totaling \$5.7 million. Our test of 21 scholarship recipients disclosed overpayments totaling \$123,500 to 9 students.

To compensate for the difference between in-state and out-of-state tuition costs, students with out-of-state residency status are awarded a higher scholarship amount compared to in-state students with similar academic records. For example, for the 2014 – 2015 academic year, qualifying out-of-state students received Provost Scholarship award amounts ranging from \$6,000 to \$14,000, depending on their grade point average and test scores; qualifying in-state students received award amounts ranging from \$3,000 to \$6,000. While TU monitored scholarship recipients for academic requirements, it did not have a process to ensure that, if a recipient's status changed from out-of-state to in-state, there was a corresponding reduction in the student's scholarship award.

Our test of 21 Provost Scholarships awarded during the period between January 2012 and June 2015 disclosed that 9 students received an award amount based on out-of-state residency status even though they were classified as in-state students at that time (paying in-state tuition), resulting in award overpayments totaling \$123,500. These 9 students received refunds totaling approximately \$68,000 and the remainder of the overpayments (\$55,500) was posted to their student accounts and was available to cover other costs incurred.

Provost Scholarship award overpayments reduce the amount of scholarship funds available to other eligible students. TU obtained advice from its general counsel stating that TU is not able to recoup these scholarship overpayments because the scholarship award letters and the related terms and conditions did not specifically state that awards would change depending on residency status and because the

award amounts did not exceed State and federal limits of the cost of attendance. TU advised us that the terms and conditions of the award letters were clarified and certain procedures were implemented in early fiscal year 2016 to better monitor Provost Scholarship awards in relation to each student's residency status.

Recommendation 1

We recommend that TU adequately monitor Provost Scholarship awards to ensure that award amounts reflect the student's current residency status.

Finding 2

TU did not adequately restrict employee access capabilities for critical functions related to recording financial aid awards in its financial management system.

Analysis

TU did not adequately restrict employee access capabilities for critical functions related to recording financial aid awards in its financial management system. Consequently, certain employees had the capability to adjust critical financial aid data and alter financial aid award amounts without independent supervisory review and approval.

Our review of 17 critical functions related to financial aid determined that five system users were assigned inappropriate system access capabilities to one or more of the functions. For example, three system users who were responsible for ensuring that verification audits of selected student federal financial aid application data were conducted, as required by the United States Department of Education, had system capabilities that allowed them to make adjustments to the application data. Furthermore, these three employees were responsible for ensuring that financial aid data, including award amounts, were properly posted to student accounts, but also had system capabilities allowing them to change award amounts on the student financial aid system.

We were advised by TU management that output reports of changes made to financial aid data on the automated system were generated for review by independent personnel to ensure that improper changes to student financial aid were not processed. However, TU did not retain documentation of these reviews. The University System of Maryland (USM) *IT Security Standards* specify that institutions must segregate functions to ensure the appropriate separation of duties for system users.

Recommendation 2

We recommend that TU

- a. restrict user access capabilities for critical financial aid functions in a manner that ensures a proper segregation of duties, and**
- b. maintain documentation to support independent supervisory reviews of critical transactions processed.**

Interagency Agreements

Finding 3

TU entered into three consecutive interagency agreements with the Maryland State Department of Education that enabled the Department to fill its Chief Information Officer position in a manner that was inconsistent with State law.

Analysis

TU's Division of Innovation and Applied Research (DIAR), formerly known as the Division of Economic and Community Outreach, entered into three consecutive interagency agreements with the Maryland State Department of Education (MSDE) that enabled MSDE to fill its Chief Information Officer (CIO) position in a manner that was not consistent with State law. Furthermore, the arrangement was inconsistent with DIAR's mission.

The agreements provided for DIAR to provide an individual to function as MSDE's CIO, rather than MSDE hiring an employee to fill its budgeted position. Under the agreements, one individual served as the CIO for the first two agreements and a second individual served in this capacity for the third agreement. The three agreements covered the period from November 2011 through June 2015 with payments made by MSDE to DIAR totaling approximately \$771,000 (including administrative fees of 15 percent for the first two agreements and 28 percent for the third agreement). DIAR advised us that this arrangement was discontinued after June 30, 2015.

MSDE's use of the interagency agreement with DIAR to provide its CIO was not consistent with State law which provides that State employees should perform all State functions in preference to contracting with the private sector. MSDE had an existing budgeted position for a CIO but used the interagency agreement to procure the services of a CIO at an enhanced salary. While DIAR is a State entity, the individual who provided the CIO services in the most recent agreement was not a TU employee; rather, the individual was hired contractually by DIAR specifically for MSDE.

Furthermore, the limited involvement by DIAR and the hiring of these individuals to serve as MSDE's CIO was inconsistent with DIAR's mission, which is to leverage the highly qualified research and project talent of the University to solve critical issues facing Maryland's workforce and economy. As noted above, the individual was not a TU employee. DIAR's involvement was generally limited to hiring the employees, paying the salaries of the individuals provided, and invoicing MSDE for those costs, which included DIAR's administrative fees. MSDE controlled the selection of the individual hired under the third agreement, and was solely responsible for the daily supervision and monitoring of the individual obtained under all the agreements, including ensuring responsibilities were performed. Information regarding the selection process for the first two agreements was not available since TU did not retain the documentation.

We confirmed with staff at the Board of Public Works that the use of interagency agreements to procure personnel was not appropriate. A similar condition with a different State agency was commented upon in our preceding audit report.

Recommendation 3

We recommend that TU avoid entering into such contract arrangements in future interagency agreements (repeat).

Student Residency

Finding 4

TU did not have adequate procedures in place to ensure that changes to student residency status were proper.

Analysis

TU did not establish sufficient controls over changes to the student residency status (in-state or out-of-state) recorded in student accounts. Accurate student residency determinations are critical because of the significant differences between in-state and out-of-state student tuition rates. For example, the undergraduate tuition charge for the Spring 2015 semester was \$3,062 for Maryland residents and \$8,841 for non-residents, a difference of \$5,779.

Although output reports of student residency changes were available for supervisory review and approval, these reports were not used to verify the propriety of changes made by most departments. Specifically, only changes made by the Registrar's Office were reviewed for propriety. According to TU's records, during fiscal year 2015, there were 4,663 residency changes made from out-of-state to in-state residency status, of which 4,447 were made by departments

for which the verification process had not been performed. Furthermore, these reviews were not independent since the employee responsible for generating the aforementioned reports and selecting the residency status changes to review also had system access capabilities allowing the employee to make changes to residency status in the automated system. Consequently, TU lacked assurance that all student residency changes made were appropriate. Our testing did not disclose any improper residency status changes.

Recommendation 4

We recommend that TU

- a. review output reports of changes made to student residency by all departments, at least on a test basis;**
- b. ensure that such reviews are documented; and**
- c. ensure that the employee responsible for generating output reports, selecting the items for review, and performing the reviews does not have system access capabilities to make residency status changes to student accounts.**

Information Systems Security and Control

Background

TU's Office of Technology Services (OTS) provides information technology support to TU by maintaining campus-wide administrative applications, such as the student administration system and the financial system. OTS also operates an integrated administrative and academic computer network, which provides connections to multiple servers and critical network devices. The campus network includes separate file servers, connectivity to the Internet, and an extensive wireless network with access across the entire campus. The network includes two redundant firewalls which are used to restrict access from the Internet, students, and other un-trusted third parties.

Finding 5

Sensitive personally identifiable information was not properly protected by TU.

Analysis

Sensitive personally identifiable information was not properly protected. Specifically, we noted the following conditions:

- Sensitive personally identifiable information (PII) was stored in a critical database in clear text. Specifically, we noted that as of July 7, 2015 this

database contained sensitive PII for 334,771 unique individuals in clear text. This database included the individuals' full names and social security numbers (PII) in addition to dates of birth and addresses. Furthermore, we determined that this sensitive information was not protected by other substantial mitigating controls.

- Thirty accounts assigned to 32 individuals had unnecessary read access to sensitive personally identifiable information stored in the aforementioned database. This included the individuals' full names, and social security numbers (PII) and dates of birth and addresses.

This PII, which is commonly associated with identity theft, should be protected by appropriate information system security controls. The *USM IT Security Standards* state that protection measures for confidential data can include the deletion of unneeded confidential information, encryption, or other equally secure safeguards, and if encryption is used to protect confidential information the USM encryption standards must be used. In addition, the *USM IT Security Standards* require that institutions must implement measures to protect nonpublic information from disclosure including the periodic review of access controls.

Recommendation 5

We recommend that TU

- a. ensure PII is properly protected by encryption or other substantial mitigating controls, as required by the aforementioned *USM IT Security Standards*; and**
- b. restrict access to sensitive PII to only those individuals who require such access.**

Finding 6

Procedures for maintaining and securing TU's numerous computers against malware were not sufficient.

Analysis

Procedures for maintaining and securing TU's numerous computers were not sufficient.

- Certain workstations were configured with users having administrative rights. Administrative rights are the highest permission level that can be granted to users and allow users to install software and change configuration settings. Our test of 51 workstations disclosed that 15 employees' user accounts were inappropriately defined with administrative rights rather than with user rights.

However, TU personnel advised that two of these users needed such rights and that procedures existed for requesting, authorizing, and approving specific employees to have administrative rights on their local computers. However, documentation supporting that these two users were approved to have administrative rights did not exist. As a result, if the workstations used by accounts with administrative rights were infected with malware, the malware would run with administrative rights and expose these workstations to a greater risk of compromise than if the workstations' user accounts operated with only user rights.

- TU did not ensure that malware protection software was installed and operational on all of its 6,847 active computers. We identified 173 of these computers either did not have malware protection client software installed or the installed client software was not operational. The *USM IT Security Standards* state that institutions must install software to protect systems from malicious programs such as viruses, trojans, and worms.

Recommendation 6

We recommend that TU

- a. ensure that administrative rights on workstations are restricted to only system and network administrator personnel, and individuals authorized in writing to have such rights; and**
- b. ensure that all of its computers have the necessary anti-malware software installed and operational.**

Cash Receipts

Finding 7

Collections received by TU's Athletics Department were not adequately accounted for and controlled since checks were not recorded and endorsed upon receipt.

Analysis

Collections received by TU's Athletics Department were not adequately accounted for and controlled. Our review disclosed that checks were not recorded immediately upon receipt. Instead, they were recorded in a log when they were forwarded to the Bursar's Office for deposit, which may be several days after receipt. In addition, checks that could not be readily identified as to their purpose were not restrictively endorsed immediately upon receipt, but were endorsed after they had been investigated and resolved.

Without immediate recordation of collections, TU was unable to verify that all Athletics Department collections were accounted for and subsequently submitted in a timely manner to the Bursar's Office for deposit. For example, in October 2015 we sighted two checks totaling \$85,200 in the Athletics Department safe. Neither of the checks had been endorsed or recorded in a log, including one dated June 6, 2015 in the amount of \$85,000. TU advised us that, due to certain transfers of personnel, the check had been overlooked. Because of the delay in depositing the check, it had become non-negotiable. After we brought this to the attention of TU personnel, we were advised that replacement checks were obtained for both checks.

According to Athletics Department records, collections forwarded to the Bursar's Office for deposit totaled approximately \$3 million during fiscal year 2015. The Comptroller of Maryland's *Accounting Procedures Manual* requires cash receipts be restrictively endorsed and recorded immediately upon receipt.

Recommendation 7

We recommend that TU

- a. restrictively endorse and record all checks immediately upon receipt; and**
- b. ensure that an employee independent of the cash receipts function verifies that all recorded collections are forwarded, in a timely manner, to the Bursar's Office for deposit.**

Payroll

Finding 8

TU had not established adequate controls over the addition of contractual employees to its payroll as well as rate changes for these employees.

Analysis

TU had not established sufficient controls over the addition of contractual employees to its automated payroll records and rate changes for these employees. According to the State's records, TU had 949 contractual positions in fiscal year 2015 with corresponding expenditures totaling approximately \$42.8 million.

- TU did not perform an adequate review of contractual employees added to its payroll records. Although these additions underwent two reviews prior to final processing, both were ineffective. Specifically, employees performing the first review also had the capability to add a contractual employee to the payroll records and, although an independent supervisor performed a

secondary review of additions, the review was inadequate because supporting documentation was not examined.

- TU generated output reports of rate changes processed for contractual employees on a bi-weekly basis for supervisory review and approval. However, we found that not all rate changes were included on the reports, and therefore, not all changes were subject to supervisory review. Our test of five rate changes processed in fiscal years 2014 and 2015 disclosed that four were not included on the respective output reports, and therefore, were not subject to supervisory review and approval. TU believes that this deficiency in the reports was caused by certain system errors.

As a result of these conditions, unauthorized additions or rate changes could be made for contractual employees without detection.

Recommendation 8

We recommend that TU

- a. perform an independent supervisory review, including a review of supporting documentation, of all contractual employees added to the payroll records; and**
- b. take appropriate action to ensure that output reports of rate changes processed for contractual employees include all rate changes for the respective period.**

Finding 9

TU did not adequately investigate the propriety of payments to its employees who were on multiple State payrolls.

Analysis

TU did not ensure that quarterly reports received from the Comptroller of Maryland's Central Payroll Bureau (CPB) of TU employees appearing simultaneously on multiple State payrolls (that is, employees worked for both TU and another State agency) were investigated. The CPB report for the fourth quarter of fiscal year 2015 identified 120 TU employees who worked at both TU and another State agency. TU's Payroll Department received the reports; however, the reports were not reviewed to ensure the propriety of the payroll payments for simultaneous periods worked by these employees. TU personnel advised us that the manner in which the information was presented on the reports prevented them from investigating the propriety of the dual employment in an efficient manner.

According to the State's records, during fiscal year 2015, there were 137 TU employees who received payments totaling approximately \$2.1 million from both TU and other State agencies for the same pay periods. The payments to these employees for the same pay periods do not necessarily indicate overpayments since there may not have been any overlapping hours reported to have been worked at TU and the other State agencies.

CPB has directed State agencies to investigate all employees appearing on the quarterly reports to ensure that the employees were not claiming the same work hours for multiple jobs during the same time periods. According to the State's records, during fiscal year 2015, TU's payroll expenditures totaled approximately \$185.5 million.

Recommendation 9

We recommend that TU

- a. review quarterly CPB reports and investigate employees on multiple payrolls in a timely manner;**
- b. retain documentation to support these investigative efforts; and**
- c. as necessary, work with the CPB to obtain reports that provide the information in a manner that TU deems to be more useful.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – Towson University (TU) for the period beginning December 12, 2011 and ending June 30, 2015. 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 TU'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 cash receipts, student accounts receivable, purchases and disbursements, corporate purchasing cards, student financial aid, payroll, contracts and grants, and information technology systems. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to TU 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 TU'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 audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of TU'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 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 various sources were sufficiently reliable for the purposes the data were used during the audit. We also extracted data from TU's financial systems for the purpose of testing certain areas, such as student accounts receivable and financial aid. 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.

TU'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 TU'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 TU that did not warrant inclusion in this report.

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

APPENDIX



UNIVERSITY SYSTEM *of* MARYLAND

OFFICE OF THE CHANCELLOR

October 25, 2016

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
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1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

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Bowie State University

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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

Re: University System of Maryland –
Towson University
Period of Audit: December 12, 2011 through
June 30, 2015

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 – Towson University. Our comments refer to the individual items in the report.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Robert L. Caret'.

Robert L. Caret
Chancellor

Enclosures

cc:

Dr. Kim E. Schatzel, MD, President, TU
Mr. Joseph J. Oster, Vice President for Administration and Finance, TU
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
Ms. MaryAnn F. Davenport, Director, Management Advisory and Compliance Services, TU

**RESPONSE TO LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
TOWSON UNIVERSITY
DECEMBER 12, 2011 TO JUNE 30, 2015**

Student Financial Aid

Finding 1

Towson University did not have an adequate process to monitor and adjust Provost Scholarship awards for changes in students' residency status, resulting in overpayments of scholarships totaling \$123,500 to 9 out of 21 students tested.

Recommendation 1

We recommend that TU adequately monitor Provost Scholarship awards to ensure that award amounts reflect the student's current residency status.

University response

We agree with the recommendation.

In FY 2016, the Financial Aid Office identified a need to improve how we monitored Provost Scholarship awards and then made the necessary adjustments. During our review, we identified student awards that needed adjustments for subsequent semesters including two of the nine noted by the audit. The remaining seven students noted by the audit were not enrolled in semesters subsequent to spring 2016 and therefore could not be adjusted.

Monitoring and corrective procedures were implemented in October 2015, and have been automated since March 2016. An automated query is generated and reviewed periodically to determine any residency changes to students who are recipients of the Provost scholarships. Necessary adjustments are made to adjust awards to reflect the residency status of the students. The Financial Aid Office will continue efforts to monitor to ensure award amounts comply with the scholarship criteria.

Finding 2

TU did not adequately restrict employee access capabilities for critical functions related to recording financial aid awards in its financial management system.

Recommendation 2

We recommend that TU

- a. restrict user access capabilities for critical financial aid functions in a manner that ensures a proper segregation of duties, and**

**RESPONSE TO LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
TOWSON UNIVERSITY
DECEMBER 12, 2011 TO JUNE 30, 2015**

- b. maintain documentation to support independent supervisory reviews of critical transactions processed.**

University response

We agree with the recommendation.

- a. Once this finding was brought to our attention, we removed access to two capabilities from two employees that did not always require this access. All other employees require the access to complete their job duties. The Financial Aid Office is challenged with operating with limited staff who must conduct multiple functions while exercising the proper controls. To this regard, the Financial Aid Office has compensating controls which include generating and reviewing multiple automated queries to determine if there are any improper changes to financial aid awards. In addition, manual independent reviews are completed to ensure financial aid information is accurate.
- b. The Associate Director of the Financial Aid Office was responsible for conducting the independent reviews. Due to his departure from the University in 2015, we were unable to locate the documents to support the completion of the reviews. We will continue these reviews and will ensure they are documented and retained for future reference.

Interagency Agreements

Finding 3

TU entered into three consecutive interagency agreements with the Maryland State Department of Education that enabled the Department to fill its Chief Information Officer position in a manner that was inconsistent with State law.

Recommendation 3

We recommend that TU avoid entering into such contract arrangements in future interagency agreements (repeat).

University response

We agree with the recommendation.

Procedures have been implemented within Division of Innovation and Applied Research (DIAR) and the Office of Sponsored Programs and Research to avoid entering into such contract arrangements in future interagency agreements.

**RESPONSE TO LEGISLATIVE AUDIT REPORT
UNIVERSITY SYSTEM OF MARYLAND
TOWSON UNIVERSITY
DECEMBER 12, 2011 TO JUNE 30, 2015**

The interagency agreement between DIAR and the Maryland State Department of Education (MSDE) was not intended to be used by MSDE to fill a staff position in a manner that was not consistent with State law or procurement regulations. Our intent was to assist another state agency with information technology support that was necessary for the successful implementation of several of the projects under the Race to the Top (RTT) grant.

Our plans to terminate the original agreement in June 2014 was extended due to the abrupt departure of the previous employee on this contract. Once the RTT grant successfully ended, we mutually agreed to end this agreement with MSDE effective 6/30/2015.

Student Residency

Finding 4

TU did not have adequate procedures in place to ensure that changes to student residency status were proper.

Recommendation 4

We recommend that TU

- a. review output reports of changes made to student residency by all departments, at least on a test basis;**
- b. ensure that such reviews are documented; and**
- c. ensure that the employee responsible for generating output reports, selecting the items for review, and performing the reviews does not have system access capabilities to make residency status changes to student accounts.**

University response

We agree with the recommendation.

- a. Residency changes are made by the Registrar's Office and the Admissions Office. Both offices had procedures to review output reports of changes made to student residency by their respective departments. The Admissions Office residency status change reviews were completed for 2013 and 2014. However in FY 2015, there was a transition of employees. During the transition, the reviews were not initiated and completed. However since February 2016, we completed all outstanding reviews for 2015 and are current with all the reviews. In addition, to prevent future lapse in the completion of the reviews, the Admissions Office has documented procedures which are retained in a

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central location and have trained additional employees to perform these reviews.

- b. The Admissions and Registrar's Offices will continue to conduct independent reviews of the residency status changes and retain documentation for future reference.
- c. We removed the access for the noted Registrar's Office employee, immediately upon notification from the auditors in February 2016. We were not aware that the employee had this access and should be noted that she did not make any residency status changes to student accounts during the current audit period. With the removal of this employee's access, the review is independent.

Information Systems Security and Control

Finding 5

Sensitive personally identifiable information was not properly protected by TU.

Recommendation 5

We recommend that TU

- a. **ensure PII is properly protected by encryption or other substantial mitigating controls, as required by the aforementioned USM *IT Security Standards*; and**
- b. **restrict access to sensitive PII to only those individuals who require such access.**

University response

We agree with the recommendation.

- a. As of August 2016, all databases containing PII have been encrypted. In April 2015, Towson University began efforts to encrypt databases containing PII. During that time, extensive testing of encryption of all databases containing PII had to be completed.

In addition, Towson University has an extensive Risk Management program that identified PII in all systems and applications. Per the Risk Management program, Towson University removed unneeded PII and had implemented appropriate controls over PII data and the aforementioned

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database. As Towson University worked on implementing encryption, we had other safeguards to secure PII.

- b. As of August 2016, none of the 32 noted individuals have access to the sensitive PII as defined in the USM IT Security Standards. During the audit, the University began working on a project to further protect PII. Since, many individuals required access to the non-sensitive information in the noted database, redaction of PII was the only option. Our attempts for redaction were not successful in July 2015 due to a system bug which was remediated in spring 2016. Since then, we put our efforts towards testing and subsequently implementing redaction.

Safeguarding sensitive PII is important to us and we will continue our efforts to secure the information. We have procedures to conduct annual reviews to determine access needs of individuals and take appropriate measures to safeguard this information.

Finding 6

Procedures for maintaining and securing TU's numerous computers against malware were not sufficient.

Recommendation 6

We recommend that TU

- a. **ensure that administrative rights on workstations are restricted to only system and network administrator personnel, and individuals authorized in writing to have such rights; and**
- b. **ensure that all of its computers have the necessary anti-malware software installed and operational.**

University response

We agree with the recommendation.

- a. Towson University completed a project in July 2016, which evaluated administrative rights on workstations across campus and has removed unnecessary administrative rights from all workstations and restricted the use of administrative rights on workstations based on security, risk and functionality of software and the user. TU has documented the authorization for individuals who require administrative rights and will continue to retain such documentation.

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- b. Since the audit, we have implemented a monthly process to review and ensure that all computers have the necessary anti-malware software installed and are operational. We have reviewed the 173 noted computers and determined that they were low risk and most of them were located in labs. We have since taken appropriate measures to ensure anti-malware is installed and operating on these computers.

Cash Receipts

Finding 7

Collections received by TU's Athletics Department were not adequately accounted for and controlled since checks were not recorded and endorsed upon receipt.

Recommendation 7

We recommend that TU

- a. **restrictively endorse and record all checks immediately upon receipt; and**
- b. **ensure that an employee independent of the cash receipts function verifies that all recorded collections are forwarded, in a timely manner, to the Bursar's Office for deposit.**

University response

We agree with the recommendation.

- a. Since November 2015, with the addition of the Associate Athletic Director of Finance, appropriate procedures have been implemented to ensure proper internal controls over cash receipts. Specifically, all checks are restrictively endorsed and recorded immediately upon receipt.
- b. Independent monthly reviews of all recorded collections are completed to verify they have been forwarded to the Bursars Office for deposit in a timely manner.

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Payroll

Finding 8

TU had not established adequate controls over the addition of contractual employees to its payroll as well as rate changes for these employees.

Recommendation 8

We recommend that TU

- a. perform an independent supervisory review, including a review of supporting documentation, of all contractual employees added to the payroll records; and**
- b. take appropriate action to ensure that output reports of rate changes processed for contractual employees include all rate changes for the respective period.**

University response

We agree with the recommendation.

- a. We have developed written procedures to perform an independent, supervisory review, including a review of supporting documents of all contractual employees added to the payroll records. Effective May 2016, the Human Resources (HR) Manager independently verifies all supporting documents for all newly hired contractual employees on a weekly basis. The HR Manager also independently verifies the information on the supporting documentation against the approval report.
- b. We have corrected the output report of the contractual employee rate changes to include all rate changes for the respective period. An extra day had to be added to the timeframe criteria of the report to ensure all data is included. Effective April 2016, we started to run the reports weekly and pull data for a range of 8 days.

Finding 9

TU did not adequately investigate the propriety of payments to its employees who were on multiple State payrolls.

Recommendation 9

We recommend that TU

- a. review quarterly CPB reports and investigate employees on multiple payrolls in a timely manner;**

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- b. retain documentation to support these investigative efforts; and**
- c. as necessary, work with the CPB to obtain reports that provide the information in a manner that TU deems to be more useful.**

University response

We agree with the recommendation.

- a. Since February 2016, we have started to conduct quarterly reviews of the employees listed in the CPB dual employment report. The majority of individuals listed on this report are the same part time faculty who often teach at various institutions. Therefore, we waited for a system wide process that we received in February 2016 from University System of Maryland as guidelines to perform this review. We have completed two quarterly reviews so far and will continue this process.
- b. Documentation of all reviews are retained for future reference.
- c. We will continue to work with CPB to obtain reports that will provide information in a manner that will help us complete the reviews in a more efficient manner.

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