



Department of Legislative Services
Office of Legislative Audits

**University of Maryland, Baltimore
(UMB)**

Report dated February 5, 2010



Department of Legislative Services Office of Legislative Audits

Audit Overview

- UMB provides professional and graduate level instruction through its schools of Dentistry, Law, Medicine, Nursing, Pharmacy and Social Work.
- Certain UMB faculty members provide services to the University of Maryland Medical System Corporation, and the Corporation reimburses UMB for the cost of services provided by the faculty members.
- For the spring 2009 semester, UMB's enrollment totaled approximately 6,100 students.
- During FY 2009, UMB revenues totaled about \$909 million, including a General Fund appropriation of \$173 million.
- The audit report included 13 findings, 7 of which were repeated from the preceding audit report.



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Key Audit Issues

- Several deficiencies were noted relating to certain employee compensation, including:
 - Questionable employment compensation payments totaling \$410,000 to a senior management employee.
 - A lack of established policies over the payment of bonuses and other compensation (e.g., summer research payments) made to employees.
 - UMB did not execute contracts and receive payments timely from the University of Maryland Medical System Corporation, and did not assess late payment fees of \$121,000.
 - Deficit balances of \$2.9 million existed in certain revolving fund accounts and UMB had not established written plans to address the deficits.
 - Several purchasing/disbursement findings were noted:
 - BPW approval not obtained for certain contracts
 - Competitive procurement process not always used
 - Purchasing card transactions not always reviewed
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Employee Compensation

UMB made questionable compensation payments to a senior management employee and the payments were not disclosed to the budget committees. (Finding 1)

- A senior management employee received payments totaling \$350,000 during fiscal year 2007 for unused sabbatical leave, even though UMB and USM policies do not provide for such payments.
 - Payments totaling \$60,000 were made to the employee for summer research and these payments were approved by the employee's subordinate.
 - A compensation agreement entered into with this same employee in June 2008 had not been approved by the Office of the Attorney General and the USM Board of Regents, as required by USM policy.
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Employee Compensation (continued)

Certain compensation payments made to employees (other than their regular salaries) were not supported by established policies. (Finding 2)

We tested 36 such compensation payments made to employees during FYs 07 to 09 totaling \$877,000.

- Seven payments totaling \$52,500 were made to faculty members of one school for summer research; however, UMB had not established a policy governing such payments. Total payments made to faculty for summer research during CYs 07 - 08 were \$1.1 million.
 - Six payments totaling \$160,000 represented bonuses paid to employees even though UMB had not established a policy for the payment of bonuses. UMB lacked sufficient documentation supporting how these payments were determined.
 - None of the aforementioned employee compensation payments were specifically disclosed in UMB's annual budget submissions.
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Contracts With Medical Systems

Annual contracts with the University of Maryland Medical System Corporation were not executed timely and payments from the Corporation and a local hospital were not received timely. (Finding 5)

- Contracts with the Corporation providing for the reimbursement of certain costs incurred by UMB during FYs 07–09 were executed as much as 23 months after the date required by State law.
- Eighteen payments received from the Corporation and a local hospital during FYs 06–09 totaling \$8.6 million were received from 14 to 165 days after the required payment date. UMB did not assess related late payment fees totaling \$121,000.
- Similar findings have been commented upon in our preceding seven audit reports dating back to 1988.



Revolving Fund Accounts

UMB did not always establish written plans to eliminate deficit balances in revolving fund accounts. As of 3/31/09, UMB had 172 such accounts with deficit balances totaling \$14.7 million. (Finding 6)

- Our review of ten revolving fund accounts with deficit balances totaling \$5.4 million as of March 2009 disclosed that written plans to address the deficit balances had not been established for six accounts with deficits totaling \$2.9 million. These deficits had existed since at least 7/07. The six accounts related to physician associations that allow UMB faculty to engage in private practices within UMB or at affiliated hospitals.
- One of these physicians associations with a deficit balance of \$584,000 had experienced recurring financial losses and it was unclear whether the association would be able to make payments to UMB to cover its deficit.



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Purchasing and Disbursements

- UMB did not always request BPW approval for service contracts in excess of \$500,000, as required. An OLA test of 9 contracts totaling \$7.9 million disclosed BPW approval was not obtained for 2 contracts valued at \$1.8 million. (Finding 7)
 - UMB did not use a competitive procurement process for repetitive purchases that were reasonably expected to exceed \$100,000, as required. An OLA test of corporate purchasing card (CPC) purchases totaling \$5.1 million from 10 vendors during 7/06 through 10/08, found purchases totaling \$1.2 million from 4 vendors were made without a competitive procurement process. (Finding 8)
 - CPC transactions were not always properly reviewed and approved for a former employee who pled guilty in February 2009 to felony theft of \$470,000 from UMB. Additionally, documentation was not maintained as to the disposition of \$40,700 in gift cards purchased by another employee. (Finding 9)
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Other Findings

- UMB did not adequately pursue the collection of outstanding accounts receivables. For example, an OLA test of 74 grant billings (primarily for sponsored research) totaling \$17.6 million made during the period of 1/06 to 2/09, found that 58 of the billings totaling \$11.4 million were not paid timely or remained unpaid. Funds that would otherwise be available for investment purposes had to be used to fund the research until payments were received. (Finding 4)
 - Several instances of inadequate IT controls were noted, including:
 - Proper user account and password controls for certain critical components were not established. (Finding 10)
 - Certain significant security-related events for financial and student-related information systems were not monitored. (Finding 11)
 - Network security was inadequate to protect certain key administrative systems. (Finding 12)
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Conclusions

- UMB should establish policies for additional employee compensation payments and ensure compliance with those policies. Additional compensation payments should be specifically disclosed in its annual budget submissions to the General Assembly.
 - Contracts with medical systems should be executed timely and UMB should assess late payment fees for any payments that are not received by the required payment date.
 - Written plans should be established to address revolving fund accounts with deficit balances.
 - Adequate processes and controls should be established over:
 - Procurement and disbursements (including those made with a CPC),
 - Accounts receivable, and
 - Key information systems.
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