



Department of Legislative Services
Office of Legislative Audits

St. Mary's College of Maryland

Report dated February 16, 2010



Department of Legislative Services Office of Legislative Audits

Audit Overview

- St. Mary's College of Maryland is a public, liberal arts honors college that offers undergraduate and graduate degree programs in various disciplines. The College is governed by a Board of Trustees and State law provides the Board with broad authority in managing the affairs of the College.
- The College's FY 2009 revenues totaled \$64.8 million, which included a State general fund appropriation of \$16.9 million. Student enrollment for the spring 2009 semester totaled 2,010.
- The audit report included 15 findings, 6 of which were repeated from the preceding audit report.



Key Audit Issues

- Undeveloped land was acquired from an individual affiliated with the College based on the seller's appraisal and certain aspects of this land acquisition were not disclosed to the Board of Public Works.
- Purchase orders were frequently prepared after the related invoices had been received.
- The College did not adequately monitor its food service contractor and did not adequately monitor and control funds transferred to an overseas fiduciary for its Alba Italy International Program.
- Controls over the College's collections and information and accounting systems were deficient.
- A formal agreement had not been executed with the College's affiliated Foundation and payments to the Foundation were not always supported.



Land Acquisition

The College acquired land adjacent to its campus from an individual affiliated with the College based on the seller's appraisal, which specifically prohibited the use of the appraisal by third parties and was based on various assumptions provided by the seller. (Finding 1)

- The College acquired 34.48 acres of land for \$1,625,300. It paid the seller \$800,000 and accepted a \$825,300 charitable donation from the seller based on the seller's appraisal.
 - The seller's appraisal stated that the value of the land was based on assumptions developed by the seller. For example, the appraisal was based on the assumption that the land would be developed into 9 residential subdivisions, even though the deed only allowed 6 residential subdivisions.
 - The seller's appraisal also contained numerous disclaimers, including statements that the report should not be used by anyone other than the seller.
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Land Acquisition (continued)

- The College did not disclose the charitable donation nor the seller's appraisal to the Board of Public Works (BPW).
- When presented to the BPW, the College listed the purchase price as \$800,000. When questioned by the BPW about that price, the College presented two independent appraisals that it obtained, valuing the land at \$860,000 and \$1.1 million, and which the College stated had been used to determine the purchase price.
- The deed was subsequently conveyed to the College in the amount of \$800,000.
- We referred this matter to the Criminal Division of the Office of the Attorney General.



Procurement Practices

Purchase orders were frequently prepared after the invoices had been received. (Finding 2)

- Our test of 15 invoices totaling \$800,000 disclosed that purchase orders for 9 invoices totaling \$650,000 were not prepared until after the invoice dates.
- Included in this test were 3 paintings totaling \$87,300 that were originally purchased in this manner. At the time of our testing, these paintings could not be readily located. Furthermore, the College may have overpaid approximately \$10,800 for the paintings.
- Based on the College's records, the College processed purchase orders during our audit period totaling at least \$6.4 million after the related invoices were received.



Food Services Contract

The College did not adequately monitor its food service contractor. (Finding 3)

- Required supporting documentation (such as supplier invoices and payroll records) was not obtained to verify the accuracy of the contractor's direct operating costs billed to the College, which represented the majority of the payments to the contractor.
- The College did not request or obtain an annual plan from the contractor, as required by the contract. Such a plan includes operating guidelines for the upcoming fiscal year, such as proposed menus and pricing structures, operating cost budgets, and proposed adjustments to contract compensation.
- During the 3-year period ending June 2009, the College paid its food service contractor approximately \$11.6 million.



Alba International Program

Funds totaling \$1.2 million transferred to an overseas fiduciary for the Alba (Italy) International Program during the audit period, were not monitored and controlled. (Finding 4)

- The College did not have a current contract and surety bond with the fiduciary responsible for paying Program expenses on the College's behalf. The previous contract expired after the Fall 2007 semester. The College was unsure how much it was paying the fiduciary for its management fee.
 - The College did not obtain monthly bank reconciliations of the fiduciary's accounts or annual independent audits.
 - The fiduciary was not required to maintain a separate bank account for the College program's deposits and disbursements.
 - Documentation was not always adequate to support the propriety of Program expenses.
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Controls Over Collections

Adequate controls were not established over collections, which totaled \$31.7 million during the period from July 1, 2008 through April 16, 2009. (Finding 5)

- Independent verifications were not performed to ensure that all recorded collections were deposited.
- Collections were not always deposited in a timely manner.
- Two cashiers and their supervisor shared a logonid and password that was used to process collections in the College's cashier system.
- Two employees who maintained the student accounts receivable records also had access to the related collections.



Information and Accounting Systems

- Periodic system security reports of user access capabilities for certain critical applications were not generated and reviewed. Many users were assigned excessive capabilities. (Finding 7)
 - Automated accounting records were not timely reconciled with the related records of the Comptroller of Maryland. (Finding 8)
 - Changes to a certain critical database, including security settings and user accounts and permissions, were not logged and analyzed. (Finding 9)
 - Security control weaknesses existed in the procedures used to administer critical network devices, including the Internet firewall. (Finding 12)
 - The IT disaster recovery plan was incomplete and certain backup media were not stored off-site. (Finding 13)
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Affiliated Foundation

- A written operating agreement had not been executed between the College and its affiliated foundation. (Finding 15)
- Payments to the foundation, which totaled approximately \$676,000 during the period November 2006 to June 2009, were not always supported.
- Our test of 15 of these payments totaling \$515,600 disclosed that 8 payments for reimbursement of College-related expenses totaling \$81,600 were not supported. These unsupported payments related to travel expenses incurred by College employees, printing and postage expenses, and expenses for the College's Board of Trustees.



Conclusions

- The College should retroactively report the seller's appraisal and charitable donation to the BPW and should value future land transactions based on independent appraisals with correct and current land use assumptions.
- Purchase orders should be prepared before the purchases are made and should be used to verify the related invoices prior to payment.
- The College should establish and monitor controls over transactions related to the food service contractor and the overseas fiduciary.
- The College should establish adequate internal controls over collections and information and accounting systems.
- The College should establish a written agreement with its affiliated foundation and ensure all payments are adequately supported and made in accordance with the agreement.