



DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Karl S. Aro  
Executive Director

February 4, 2014

Thomas J. Barnickel III, CPA  
Legislative Auditor

Senator Edward J. Kasemeyer  
Chairman, Senate Budget and Taxation Committee  
Miller Senate Office Building, 3 West Wing  
11 Bladen Street  
Annapolis, Maryland 21401

Delegate Norman H. Conway  
Chairman, House Appropriations Committee  
House Office Building, Room 121  
6 Bladen Street  
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate Conway:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the University System of Maryland (USM)—University of Maryland Eastern Shore (UMES) to resolve the four repeat findings in our August 29, 2011 audit report. This review was conducted in accordance with a requirement specified in the April 2013 *Joint Chairmen's Report* (JCR), page 130. The JCR required that, prior to release of \$100,000 of its administrative appropriation for fiscal year 2014, UMES must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2014.

The August 29, 2011 UMES audit report contained four repeat audit findings (findings 4, 5, 7, and 8) that were addressed by five recommendations. In accordance with the aforementioned JCR requirement, USM provided a report to OLA, dated November 1, 2013, detailing the corrective actions that UMES has taken with respect to these four repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with UMES personnel, as deemed necessary, to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

USM's November 1, 2013 status report indicated that the recommendations for three findings were fully implemented, and the fourth finding would be fully implemented by August 1, 2014. Our review determined that UMES had taken the necessary corrective actions to resolve two of the three findings that USM's report indicated had been corrected. For the third finding, the actions taken did not satisfactorily address the recommendation. Regarding the fourth finding, we agree with USM's assessment that additional actions are needed to resolve the finding.

A summary of OLA's assessment of the status of each of the four repeat audit findings is included in the attached Exhibit 1. Exhibit 2 contains OLA's findings regarding the two repeat findings that had not been resolved. After discussing our review results, USM understood our positions, generally agreed with the accuracy of the information presented, and indicated that the remaining corrective actions will be taken. We wish to acknowledge the cooperation extended to us by UMES during this review.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Thomas J. Barnickel III, CPA  
Legislative Auditor

cc: Senator James C. Rosapepe, Co-Chair, Joint Audit Committee  
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Joint Audit Committee Members and Staff  
Senator Thomas V. Mike Miller, Jr., President of the Senate  
Delegate Michael E. Busch, Speaker of the House of Delegates  
Governor Martin J. O'Malley  
Comptroller Peter V.R. Franchot  
Treasurer Nancy K. Kopp  
Attorney General Douglas F. Gansler  
Secretary T. Eloise Foster, Department of Budget and Management  
William E. Kirwan, Ph.D., Chancellor, USM  
James L. Shea, Esq., Chair, Board of Regents, USM  
Juliette B. Bell, Ph.D., President, UMES  
Robert L. Page, Comptroller, USM  
Dave Mosca, Director of Internal Audit, USM  
Anwer Hasan, Chairman, MHEC  
Danette Gerald Howard, Ph.D., Secretary of Higher Education  
Joan Peacock, Manager, Audit Compliance Unit, DBM  
Karl S. Aro, Executive Director, Department of Legislative Services  
Sara Baker, Policy Analyst, Department of Legislative Services

## Exhibit 1 to February 4, 2014 Letter to Joint Chairmen

### Status of Repeat Findings in OLA's August 29, 2011 Audit Report on the University System of Maryland – University of Maryland Eastern Shore

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
<b>Student Accounts</b>	
4b. We recommend that UMES ensure that an employee independent of the non-cash credit adjustment processing and approval process for housing and board charges verifies recorded adjustments to source documents.	Not Resolved
<b>Verification of Residency Status</b>	
5a. We recommend that UMES ensure that student residency status changes for all students, as reflected on output reports, are reviewed and agreed to supporting documentation, at least on a test basis, by independent supervisory personnel, and that such reviews are documented.	Corrected
<b>Information Systems Security and Control</b>	
7a. We recommend that UMES limit access to all critical databases to personnel whose job duties require such access.	Corrected
8a. We recommend that UMES relocate all unprotected, publicly accessible servers to a neutral network zone to limit security exposures to critical systems on the internal network.	Corrected
8b. We recommend that UMES restrict access, at the network level, to key administrative systems to only those entities requiring such access.	Not Resolved

Shaded recommendations are more fully described in Exhibit 2.

## **Exhibit 2 to February 4, 2014 Letter to Joint Chairmen**

### **OLA's Findings Regarding Repeat Findings That Had Not Been Resolved**

#### **Student Accounts**

##### **Prior Report Recommendation – Finding 4b**

**We recommend that UMES ensure that an employee independent of the non-cash credit adjustment processing and approval process for housing and board charges verifies recorded adjustments to source documents (repeat).**

##### **Status: Not Resolved**

UMES has implemented a process in which reports of housing and board transactions, including non-cash credits, are generated daily for review. However, these reports do not contain housing and board non-cash credit adjustments posted to certain account codes and, therefore, these excluded non-cash credit adjustments were not subject to review. In addition, the employee responsible for reviewing the transactions was not independent because the employee also was assigned system capabilities that allowed the individual to process the related transactions.

#### **Information Systems Security and Control**

##### **Prior Report Recommendation – Finding 8b**

**We recommend that UMES restrict access, at the network level, to key administrative systems to only those entities requiring such access (repeat).**

##### **Status: Not Resolved**

UMES has purchased the necessary hardware and software, redesigned its network architecture, and developed a detailed plan to properly restrict access, at the network level, to key administrative systems. However, at the time of our review, only 5 of the 25 computer labs that had unnecessary network level access have been properly restricted. UMES indicated that actions to resolve the finding should be completed by August 1, 2014, consistent with USM's response to the August 2011 audit report.