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State Audit Report Reveals: \$200K Difference, Recurring Discrepancies

Ibrahim Dabo

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Three consecutive state audit reports—2001, 2005 and 2008—found a \$200,000 discrepancy between the University of Baltimore's records and the state of Maryland's records. In July, Maryland's Office of Legislative Audits reported that UB's actual cash balance registered almost \$10.7 million, whereas UB's records showed roughly \$10.5 million. UB's Office of the Comptroller cited the difference as "a reconciliation."

"When we're talking of this \$200,000 difference, it's not that anything is missing. It's more a difference in classification; just as we have \$200,000 less there, we have \$200,000 [more] somewhere else, or within two or three different categories," said Abu Kamal, UB's comptroller.

"Basically, what [the state was] talking about is the difference between 'accounts receivable' and 'cash balance,'" he said. "As we pointed out in our response to the legislative audit, in total, we had no differences between the two systems. So, transactions were not missing."

The state report, which includes the period from June 18, 2004 to Aug. 31, 2007, states, "UB could not provide us with documentation to support these assertions. A similar situation has been commented upon in our two preceding audit reports."

Kamal added that UB's and the state's accounting systems are different, which contributed to the problem.

The state of Maryland's accounting system is R*STARS (Relational Statewide Accounting and Reporting System), where all state agencies, including University System of Maryland institutions, must record their transactions.

"UB uses PeopleSoft for its internal use, but has to reflect all transactions at a summary level in R*STARS," Kamal said. "Since the state issues all our vendor and payroll checks and keeps all our funds in the state bank accounts, we have to make sure that all transactions are posted in R*STARS."

"The way the system works is transactions in the UB PeopleSoft system are interfaced into the state's system. It summarizes the transactions because R*STARS does not keep the level of detail that UB does," he said. "Evidently, something that went to the state didn't go into the right class but in the wrong class, but all the transactions went." He added, "We have never had any issues with expense or revenues."

UB has identified the differences and, Kamal said, "Right now, if you actually look at our reconciliation at the end of the year on June 30, 2008, we had no differences."

This problem has long history, but the current administration has pledged to proceed with steps to resolve it. The comptroller's office plans to implement measures to prevent the reoccurrence of a prolonged records-reconciliation problem. They are doing a line-by-line analysis to help officials better understand how UB's and the state's systems collaborate.

"We are looking at every transaction—950 lines of transactions. We are looking through each one of them and saying, 'This is where it went in PeopleSoft, and where will it go to R*STARS?'" Kamal said.

The analysis should be complete by January, and UB will look into the interface between the two systems to see what needs to be changed. However, all differences need to be addressed first.

"You will always have a difference between the two systems. The question is 'Can we explain the differences?' Our challenge is to make sure we can say, 'This happened in PeopleSoft in September, but it happened in R*STARS in October,'" Kamal said. "I'm not looking for a system that is without differences. I would worry if we didn't have any differences."

"What we're looking for is to be able to explain the differences, like timing errors or a data-entry error."

In the 2008 audit report, 10 additional deficiencies were reported. (See accompanying list.) UB's Office of the Comptroller noted that these are not financial issues, but issues for the university as a whole.

ibrahim.dabo@ubalt.edu



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2008 Audit Report Deficiencies

The list below shows the state's findings that they "consider to be significant deficiencies in the design or operation of internal control that could adversely affect UB's ability to

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maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules and regulations," as stated in the audit report. Each finding included a recommendation for correction and future adherence.

UB has already made or is in the process of making the state's recommended changes over the next few months.

Finding 1*: UB did not properly reconcile its accounting records with the related records of the state comptroller. *(Reported in accompanying article.)*

Note: UB will complete a line-by-line analysis by Jan. 31.

Finding 2*: UB did not adequately monitor computer-user access capabilities and, as a result, numerous individuals unnecessarily had the ability to process critical transactions, such as changing a student's residency status and modifying employee pay rates.

Note: UB will run a comprehensive access listing quarterly, starting Jan. 1, after the PeopleSoft upgrade is complete.

Finding 3*: UB did not always adequately pursue collection of outstanding student account balances and student accounts-receivable records were not always accurately maintained.

Finding 4: Internal controls over student residency status determinations were not adequate, and residency status determinations were not adequately supported as required by the University System of Maryland policy.

Finding 5: Independent verifications were not performed of the propriety of financial aid awards posted to student accounts, and student refund checks were not adequately secured.

Finding 6: Changes to student grades recorded in the automated system were not always properly authorized as required, and independent verifications of recorded grade changes were not always documented.

Finding 7: UB's internal network was not adequately secured by its firewall, which was also not properly administrated and monitored.

Finding 8: Certain critical operational aspects of UB's financial, student-administration and human-resource applications were not sufficiently controlled.

Finding 9: Database access control and monitoring, reporting, and reviewing critical security events were not adequate.

Finding 10: Payments for contractual services were not always made in accordance with the related agreements, resulting in overpayments of \$23,200, and were not always adequately supported.

Finding 11: Checks received in the mail by the Bursar's Office were not restrictively endorsed "for deposit only" immediately upon receipt; collections were kept in an unlocked box accessible by all office employees prior to the collections being processed by a cashier. UB did not always deposit collections timely.

** Recurring deficiencies from previous audits*

The full report is available at www.ola.state.md.us/Reports/Fiscal%20Compliance/.

Source: State of Maryland's Office Of Legislative Audits 2008 Report on UB

Compiled by Nedra Cruz



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