

Audit Report

**University System of Maryland
Frostburg State University**

February 2010



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

February 4, 2010

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the University System of Maryland (USM) – Frostburg State University (FSU) for the period beginning July 1, 2006 and ending May 31, 2009. FSU is a comprehensive public institution of the University System of Maryland and provides a broad range of baccalaureate programs as well as selected master's programs.

Our audit disclosed that FSU did not adequately disclose certain significant information to the Board of Public Works when seeking approval of a contract renewal for its food service contract. Specifically, FSU did not advise the Board that the renewal included a rate increase that exceeded the maximum increase permitted by the original contract, and did not accurately disclose to the Board the estimated cost of the contract renewal.

Furthermore, FSU's information systems and related data were not adequately secured. Numerous FSU employees had improper access to critical data on FSU's automated system, including student residency status, and database access and account and password controls were not adequate. Finally, we noted internal control deficiencies over certain student residency status determinations, FSU's bookstore cash receipts, and non-cash credit adjustments recorded to student accounts.

An Executive Summary of our findings can be found on page 5. The USM Office's response to this audit, on behalf of FSU, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during our audit by FSU.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Executive Summary

**Legislative Audit Report on University System of Maryland (USM)
Frostburg State University (FSU)
January 2010**

- **FSU did not disclose to the Board of Public Works (BPW) that a rate increase in its food service contract renewal for fiscal year 2010 exceeded the maximum rate increase permitted by the original contract, and did not provide the BPW with an accurate estimate of the cost of the contract renewal.**

FSU should resubmit the food services contract renewal with adequate disclosure to the BPW for its review, and disclose accurate and complete contract information to the BPW when seeking approval of future contracts or renewals.

- **Numerous FSU employees had the ability to modify critical student data (such as student residency status) in the automated system even though these employees did not require such access to perform their normal job duties.**

FSU should restrict access to critical data to only those employees who require such access to perform their normal job duties.

- **FSU's information systems were not adequately secured. For example, database access and account and password controls were not adequate.**

FSU should take the recommended corrective actions to improve security over its information systems.

- **FSU did not document supervisory reviews of student residency status determinations, and did not obtain documentation supporting such determinations, as required by USM policy.**

FSU should document supervisory reviews of applications and obtain documentation supporting residency status determinations.

- **Internal control deficiencies were noted over bookstore cash receipts and non-cash credit adjustments posted to student accounts.**

FSU should take the recommended actions to improve controls in these areas.

Background Information

Agency Responsibilities

Frostburg State University (FSU) is a comprehensive public institution of the University System of Maryland (USM) and operates under the jurisdiction of the System's Board of Regents. FSU offers an array of baccalaureate and master's degrees with an emphasis on arts, humanities, business, applied technologies, education, environmental sciences, human services, and social and behavioral sciences. Student enrollment for the fall 2009 semester totaled 5,385 students, including 4,755 undergraduate students and 630 graduate students. FSU's budget is funded by unrestricted revenues, such as tuition and fees and a State general fund appropriation; and by restricted revenues, such as federal grants and contracts. According to the State's accounting records, FSU's revenues for fiscal year 2009 totaled approximately \$94 million, including a State general fund appropriation of approximately \$33 million.

Bookstore Theft

In May 2009, an apparent theft at the FSU bookstore came to the attention of FSU management. Specifically, a bookstore student employee was alleged to have stolen textbooks from the bookstore, and then had other individuals sell the books back to the FSU bookstore or to online vendors. An investigation was conducted by FSU police and local law enforcement agencies during May and June 2009, and as a result, it was estimated that 412 books with a retail value of \$32,679 were stolen. According to the investigation, a total of 119 of these books were bought back by the FSU bookstore, 67 of the books were sold online, and 20 books were recovered during the investigation. The investigation was unable to account for the disposition of the remaining 206 books. It is estimated that the alleged perpetrators (which included additional FSU students) received a total of \$12,655 by selling the books back to the FSU bookstore and to online vendors. Criminal charges were filed against the student employee and six other individuals in July 2009 and, as of August 10, 2009, all criminal charges were pending. In July 2009, an FSU Judiciary Board ruled that the FSU students involved in the theft had violated FSU's student conduct policy. The students received varying punishments including suspension from school and completion of community service requirements, and were ordered to make full restitution to FSU.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the eight findings contained in our preceding audit report dated March 20, 2007. We determined that FSU satisfactorily addressed seven of the findings. The remaining finding is repeated in this report.

Findings and Recommendations

Food Services Contract

Finding 1

Frostburg State University (FSU) presented a contract renewal to the Board of Public Works without adequately disclosing certain critical information. In addition, FSU did not obtain certain audited financial statements from the contractor, as required.

Analysis

FSU did not adequately disclose certain critical information to the Board of Public Works (BPW) as related to its food service contract and did not obtain certain audited financial statements from the contractor. Specifically, our review disclosed the following conditions:

- In March 2009, FSU obtained approval from the BPW for a one-year renewal of its food services contract for fiscal year 2010. However, FSU did not disclose to the BPW that the renewal option presented included a nine percent rate increase in the contractor's weekly service fee, even though the original contract allowed for a maximum annual rate increase of only five percent. Additionally, the cost of the renewal option disclosed to the BPW was not an estimate of the contract cost for fiscal year 2010. Rather, FSU reported the actual food service contract costs for fiscal year 2008, which totaled approximately \$4.2 million. According to FSU records, payments made by FSU to the food services contractor during fiscal year 2009 totaled approximately \$4.5 million (which included a five percent rate increase over fiscal year 2008) and, as previously noted, the rate for fiscal year 2010 will increase an additional nine percent under the approved renewal. Consequently, the amount paid to the contractor during fiscal year 2010 could significantly exceed the amount of the renewal option disclosed to, and ultimately approved by the BPW.
- The food services contract requires that at the end of the contract term, the contractor is to remit its net profits in excess of four percent to FSU. The contract further provides that excess net profits are to be based on annual audited financial statements. However, FSU had not obtained audited financial statements from the contractor since the inception of the contract in July 2004. FSU has received unaudited operating statements prepared by the contractor monthly throughout the course of the contract. In that regard, the May 2009 operating statements showed a \$2.1 million operating loss from July 1, 2008 to May 31, 2009. However, without obtaining the audited financial statements there is a lack of assurance that the amounts reported by

the contractor are accurate. As a result, a determination as to whether there were excess profits due to FSU at the end of the contract term would not be possible.

Recommendation 1

We recommend that FSU

- a. resubmit the food services contract renewal for fiscal year 2010 with adequate disclosure to the BPW for its review;**
- b. in the future, fully disclose all significant contract information to the BPW when seeking approval of contracts or renewals; and**
- c. obtain audited financial statements from the contractor for past and future years, as required, and use these statements at the end of the contract term to determine the amount of any excess profits owed by the contractor.**

Student Records

Finding 2

FSU did not adequately restrict access to critical student account data in its automated system.

Analysis

FSU had not established adequate controls in its automated system to restrict access to critical system data related to student accounts. Specifically, our review of user access capabilities disclosed that 25 employees had the ability to change a student's residency status, 3 employees had unnecessary student refund capabilities including 1 individual who also had the ability to record non-cash credit adjustments (including tuition waivers) to student accounts, and 1 employee had the ability to modify student grades. These capabilities were not required by the employees to perform their normal job duties.

As a result of these deficiencies, unauthorized transactions could potentially be processed without detection. Based on reports provided to us by FSU, none of the aforementioned employees processed any changes to critical student data during our audit period.

Recommendation 2

We recommend that FSU restrict modification access capabilities to critical student account data to only those individuals who require such access to perform their normal job duties.

Finding 3

Adequate controls had not been established to ensure the propriety of non-cash credit adjustments recorded to student accounts in FSU's automated system.

Analysis

FSU had not established adequate internal controls over non-cash credit adjustments (which consisted primarily of tuition waivers) recorded to student accounts. Specifically, supervisory personnel reviewed and approved the input documents used to record the adjustments in the automated system. However, output reports of adjustments recorded to student accounts were not generated and verified to input documents. Consequently, there was a lack of assurance that only authorized adjustments were posted to students' accounts and that such adjustments were accurate. According to FSU's records, non-cash credit adjustments recorded to student accounts totaled approximately \$1.6 million during fiscal year 2009.

Recommendation 3

We recommend that FSU generate output reports identifying all recorded non-cash credit adjustments, and that these reports be verified to supporting documentation by an independent employee, at least on a test basis, to ensure that such adjustments were properly authorized and accurately recorded. We advised FSU on accomplishing the necessary separation of duties using existing personnel.

Information Systems Security and Control**Background**

FSU's Office of Networking and Telecommunications and Office of Administrative Computing provide technical information systems support to FSU through the operation and maintenance of campus-wide administrative applications, such as the human resources/student administration and financial systems. The Offices also operate an integrated administrative and academic computer network, which provides connections to multiple servers used for administrative applications and related databases. The campus network also includes Internet connectivity, a firewall and other network traffic filtering devices, and an extensive campus wireless network. FSU also maintains a website that functions as an entry point to many of its services.

Finding 4**FSU's database access and account and password controls were not adequate.****Analysis**

FSU's database access and account and password controls were not adequate. Specifically, we noted the following conditions:

- A default administrative database account unnecessarily provided full access to the database used for student administration, human resources, and payroll. Since this account includes local server administrators by default, all local administrators on the database server had full administrative access to this database. Also, anyone able to achieve local administrator privileges would automatically have full administrative access to this database and could perform unauthorized retrieval of, or modifications to, critical data.
- We identified 43 active network accounts which had not been used for periods from 394 to 1,258 days. In addition, password and account controls for the student administration, human resources and payroll systems did not comply with minimum requirements of the University System of Maryland (USM) *Guidelines in Response to the State's IT Security Policy*. For example, password complexity was not enforced and we identified 10 accounts belonging to terminated employees which remained active for periods from 31 to 266 days after the effective termination dates.

Recommendation 4**We recommend that FSU**

- a. limit access to all critical databases to personnel whose job duties require such access,**
- b. implement and document processes for periodically (at least annually) verifying employees' access privileges, and**
- c. implement controls over passwords and accounts in accordance with the USM *Guidelines in Response to the State's IT Security Policy*.**

Finding 5**FSU's computer network was not adequately secured.****Analysis**

FSU's computer network was not adequately secured. Specifically, we noted the following conditions:

- Numerous widely accessible servers were located on the internal network rather than in a separate network zone to minimize security risks. These servers, which could potentially be compromised, exposed the internal network to attack from external sources. A similar condition was commented upon in our prior audit report.
- Firewall rules did not adequately filter network traffic allowing various unnecessary or outdated connections to portions of FSU's internal network, thereby placing various network devices at risk. For example, we identified 12 firewall rules which were outdated and noted that student computer labs could unnecessarily access an IT administrator's workstation and several critical web servers. A similar condition was commented upon in our prior audit report.
- Intrusion detection and prevention systems were not properly used to help protect critical portions of the network. While the network included an intrusion detection and prevention system, it was not configured to analyze traffic destined for numerous servers on the internal network including critical student administration and financial application servers. In addition, the system was not configured to send email alerts of possible intrusions to network administrators.
- FSU stored sensitive personal information (names and social security numbers) for numerous individuals in readable text on a web server accessible to faculty, staff, and student computer labs for extended periods of time. This sensitive personal information is commonly sought for use in identity theft and, therefore, should be protected by appropriate information system security controls.

Recommendation 5

We recommend that FSU improve security over its internal network. Specifically, we made detailed recommendations which, if implemented, should provide for adequate security over the internal network (repeat).

Finding 6

FSU did not have a comprehensive disaster recovery plan.

Analysis

FSU did not have a comprehensive disaster recovery plan. Specifically, FSU did not have a complete information technology disaster recovery plan (DRP) for recovering from disaster scenarios (for example, a fire). The Department of Budget and Management's *IT Disaster Recovery Guidelines* specify the minimum

elements needed for a complete information systems' DRP. However, FSU's plan did not address many of these minimum elements. For example, the DRP did not address alternate site processing arrangements and network connectivity and did not contain detailed lists of hardware and software. In addition, the DRP had not been tested and a copy of the plan was not maintained offsite. Without a complete DRP, a disaster could cause significant delays (for an undetermined period of time) in restoring information systems operations above and beyond the expected delays that would exist in a planned recovery scenario.

Recommendation 6

We recommend that, in accordance with the aforementioned *IT Disaster Recovery Guidelines*, FSU develop a disaster recovery plan that addresses the minimum elements needed for a comprehensive disaster recovery plan. In addition, this plan should be periodically tested and a copy of the plan should be kept in a secure offsite facility.

Student Residency Status

Finding 7

Student residency status determinations were not always adequately supported, as required by USM policy.

Analysis

Controls over student residency status determinations were not adequate. Specifically, while we were advised by FSU management personnel that supervisory reviews were performed of certain student applications (such as an applicant with an out-of-state high school and an in-state home address), such reviews were not documented. Additionally, documentation supporting initial determinations of student residency status (such as a Maryland driver's license) for these unusual applications was not obtained. The lack of documentation supporting residency status determinations precluded supervisory personnel from being able to adequately review the propriety of students' residency status.

USM Board of Regents policy on *Student Classifications for Admission and Tuition Purposes* requires students to demonstrate their residency status (for example, produce a Maryland driver's license). Accurate student residency status determinations are critical because of the significant differences between in-state and out-of-state tuition rates. In addition, FSU offers residents of certain counties in West Virginia, Pennsylvania, and Virginia a contiguous county tuition rate that is lower than the out-of-state rate. For example, full-time undergraduate tuition and fee charges for the 2008-2009 academic year totaled \$3,307 per

semester for Maryland residents, \$6,485 per semester for contiguous county residents, and \$8,405 per semester for out-of-state residents.

Recommendation 7

We recommend that FSU

- a. document supervisory reviews of applications, and**
- b. obtain documentation supporting student residency status determinations for such applications.**

Bookstore Cash Receipts

Finding 8

FSU lacked adequate internal controls over bookstore cash receipts.

Analysis

Adequate internal controls had not been established over cash receipts collected by the FSU bookstore. Specifically, our review disclosed that deposit verifications were not adequately performed. In that regard, the employee who performed the deposit verifications did not compare the initial source document of recorded collections (that is, cash register transaction reports) to the validated bank deposit slip. Additionally, bookstore employees shared the same cash register drawer. As a result, individual accountability could not be affixed in the event of a cash shortage. According to FSU's records, bookstore cash receipts totaled approximately \$730,000 during fiscal year 2009.

Recommendation 8

We recommend that FSU

- a. perform independent deposit verifications by comparing the initial source document of recorded collections to the validated deposit slip, and**
- b. use separate cash register drawers for each bookstore cashier.**

Audit Scope, Objectives, and Methodology

We have audited the University System of Maryland (USM) – Frostburg State University (FSU) for the period beginning July 1, 2006 and ending May 31, 2009. 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 FSU's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. The areas addressed by the audit included cash receipts, procurements and disbursements, information systems, student accounts receivable, payroll, and materials and supplies. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of FSU's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to FSU by the USM Office (such as bond financing). These support services are included within the scope of our audits of the USM Office. Furthermore, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of FSU's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including the components of USM.

FSU'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 that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect FSU'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 FSU that did not warrant inclusion in this report.

The response from the USM Office, on behalf of FSU, 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



OFFICE OF THE CHANCELLOR

January 28, 2010

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, MD 21201

**RE: University System of Maryland –
Frostburg State University
Audit Period: July 1, 2006 to May 31, 2009**

Dear Mr. Myers:

I have enclosed the University System of Maryland's response to your draft report covering the examination of processes and controls of Frostburg State University. Our comments refer to the individual items contained in the report.

Sincerely,

William E. Kirwan
Chancellor

Enclosure

WEK:mpk

cc: Dr. Jonathan C. Gibralter, President, FSU
Mr. Clifford M. Kendall, Chair, Board of Regents, USM
Mr. Robert L. Page, Comptroller, USM
Mr. Kevin M. O'Keefe, Chair, MHEC
Dr. James E. Lyons, Sr., Secretary of Higher Education, MHEC
Mr. David Rose, Vice President of Administration and Finance, FSU
Mr. David Mosca, Director of Internal Audit, USM

1807
University of Maryland,
Baltimore

1856
University of Maryland,
College Park

1865
Bowie State University

1866
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

1985
University of Maryland
Biotechnology Institute

Findings and Recommendations

Food Services Contract

Finding 1

Frostburg State University (FSU) presented a contract renewal to the Board of Public Works without adequately disclosing certain critical information. In addition, FSU did not obtain certain audited financial statements from the contractor, as required.

Recommendation 1

We recommend that FSU

- a. resubmit the food services contract renewal for fiscal year 2010 with adequate disclosure to the BPW for its review;**
- b. in the future, fully disclose all significant contract information to the BPW when seeking approval of contracts or renewals; and**
- c. obtain audited financial statements from the contractor for past and future years, as required, and use these statements at the end of the contract term to determine the amount of any excess profits owed by the contractor.**

Response 1

a.

The RFP proposal stated rate increases will be limited to five percent of the previous year's rates on the per-diem board rates. The intention of this clause was to limit the request of the vendor to five percent not FSU. FSU would only increase the board rates above five percent if a change to the contract happened that is beyond the control of the vendor. In Fiscal 2008, which was year four of this contract, FSU reduced the academic calendar by six days and this change reduced the number of board days by three percent. In addition, FSU will be closing the student center down for a year for renovation and this change will reduce catering by an estimated forty-three percent.

In FY 2010, FSU anticipated the amount that will be paid to the vendor will be \$4,162,552. The preparation of the BPW item for the renewal was started in mid February 2009. FSU based the anticipated amount on final FY 2008 figures. The board plan total paid in FY 2008 was \$2,998,994. FSU increases this board plan amount by five percent for FY 2009 and nine percent for FY 2010 to arrive at the amount of \$3,432,349. FSU anticipated the catering amount for FY 2010 to be \$730,203. Most of FSU's catering is done in our Lane Center. With the Lane Center closing December 19, 2009 for a year, FSU anticipated the catering to be reduced by forty-three percent. We see \$4,162,552 as a good estimate for FY2010.

b.

FSU will disclose the board rate increase for FY 2010 and FY2011 when seeking approval from the BPW for FY2011 one year contract renewal.

c.

The audit for Fiscal 2005 was completed on August 11, 2006. The audits for Fiscal 2006, 2007, 2008 and 2009 were completed on July 26, 2009. In the future, FSU will make sure the vendor completes these fiscal year end audits in a timely manner.

Student Records

Finding 2

FSU did not adequately restrict access to critical student account data in its automated system.

Recommendation 2

We recommend that FSU restrict modification access capabilities to critical student account data to only those individuals who require such access to perform their normal job duties.

Response 2

FSU has fully complied with this discussion note. FSU has removed critical access to critical student account data in the automated system to only those individuals who require such access to perform their normal job duties.

Finding 3

Adequate controls had not been established to ensure the propriety of non-cash credit adjustments recorded to student accounts in FSU's automated system.

Recommendation 3

We recommend that FSU generate output reports identifying all recorded non-cash credit adjustments, and that these reports be verified to supporting documentation by an independent employee, at least on a test basis, to ensure that such adjustments were properly authorized and accurately recorded. We advised FSU on accomplishing the necessary separation of duties using existing personnel.

Response 3

FSU will produce on a monthly basis a query report from the automated system that will list all non-cash adjustments in order to verify the amount and that the supporting documentation is present. This process was implemented in August and will be performed by an independent employee.

Information Systems Security and Control

Background

FSU's Office of Networking and Telecommunications and Office of Administrative Computing provide technical information systems support to FSU through the operation and maintenance of campus-wide administrative applications, such as the human resources/student administration and financial systems. The Offices also operate an integrated administrative and academic computer network, which provides connections to multiple servers used for administrative applications and related databases. The campus network also includes Internet connectivity, a firewall and other network traffic filtering devices, and an extensive campus wireless network. FSU also maintains a website that functions as an entry point to many of its services.

Finding 4

FSU's database access and account and password controls were not adequate.

Recommendation 4

We recommend that FSU

- a. **limit access to all critical databases to personnel whose job duties require such access,**
- b. **implement and document processes for periodically (at least annually) verifying employees' access privileges, and**
- c. **implement controls over passwords and accounts in accordance with the USM *Guidelines in Response to the State's IT Security Policy.***

Response 4

- a. FSU has disabled the default administrative database account as of 12/14/09. The group who initially had access was the Network Administrators.
- b. FSU will create a report, annually, of employee's 'access privileges' and distribute that report to the appropriate 'Functional Lead' governing the privileges in question.
- c. FSU corrected an error that was found in the query to identify inactive accounts as of 06/17/09. The error was corrected immediately after being discovered.

Finding 5

FSU's computer network was not adequately secured.

Recommendation 5

We recommend that FSU improve security over its internal network. Specifically, we made detailed recommendations which, if implemented, should provide for adequate security over the internal network (repeat).

Response 5

The servers in question were not on the internal (Trust) network. They were in fact configured within a security zone (DMZ). There were several servers within the DMZ that should have been configured on a separate security zone to protect them from potential compromise from other servers that were exposed to the Internet. Currently 67.24% of these servers have been configured on a separate security zone. The segmentation of the remaining servers is continuing and should be completed by the end of the 2010 spring semester.

As recommended in the 'Discussion Notes', firewall rules have been modified or deleted; zones have been moved to Public DMZ as required; and ports have either been removed or disabled until needed.

Effective 11/23/09, Intrusion Detection has been enabled on the following rule ID's necessary to comply with the audit. Effective October 2009, administrators will be alerted of any possible intrusions.

The file system that pertains to the reports in question in the audit is no longer attached to the Financials web server. All mapped drives have been removed.

Finding 6

FSU did not have a comprehensive disaster recovery plan.

Recommendation 6

We recommend that, in accordance with the aforementioned *IT Disaster Recovery Guidelines*, FSU develop a disaster recovery plan that addresses the minimum elements needed for a comprehensive disaster recovery plan. In addition, this plan should be periodically tested and a copy of the plan should be kept in a secure offsite facility.

Response 6

FSU is currently working with a technology company, to acquire space in their computer room to house redundant servers and a SAN. A bid proposal is being prepared by our Facilities Department to construct the necessary infrastructure that will allow us to connect up to that facility with fiber. This 'backup' site should be in operation by June 2010. We will then draft our Disaster Recovery Plan using an existing template that was created for FSU by our consultant. The plan will then be tested periodically.

Student Residency Status

Finding 7

Student residency status determinations were not always adequately supported, as required by USM policy.

Recommendation 7

We recommend that FSU

- a. document supervisory reviews of applications, and**
- b. obtain documentation supporting student residency status determinations for such applications.**

Response 7

Supervisory approval of all these residency determinations and reclassifications will be documented.

USM policy requires clear and convincing evidence that a student satisfies the requirements for in-state residency. This clear and convincing evidence normally comes from a comparison of all admission and other information collected from a prospective student against that detailed on the Residency Form. In those instances where the aggregate of information provided, from students' high schools via official transcripts, admissions applications and other information, all is consistent and supports the in-state residency classification, the 'clear and convincing evidence' requirement has been considered to have been satisfied. In those instances where inconsistent information is observed bringing into question the students appropriate residency classification, it is expected that the institution collect appropriate supporting documentation that will enable a definitive classification.

Bookstore Cash Receipts

Finding 8

FSU lacked adequate internal controls over bookstore cash receipts.

Recommendation 8

We recommend that FSU

- a. perform independent deposit verifications by comparing the initial source document of recorded collections to the validated deposit slip, and**
- b. use separate cash register drawers for each bookstore cashier.**

Response 8

a.

Effective August 7, 2009 the Terminal Reconciliation Report that is generated at the time the store closes will be maintained so that the Director can verify, from this document,

that the deposit amounts agree with the totals from the report. The Terminal Reconciliation Report will be kept and maintained as part of the daily sales report for the Director's review.

b.

Effective September 10, 2009, each cashier will be assigned to their own cash drawer. Cash drawers will no longer be shared. At the end of their shift, cashiers will count down their drawer in accordance with the Cash Control Terminal Reconciliation procedure that is currently in effect.

AUDIT TEAM

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Information Systems Senior Auditors

Howard A. Marzolf, III
Timothy S. Rice
Staff Auditors

Michael K. Bliss
Cristen M. Ervin
Information Systems Staff Auditors