
MEMORANDUM

TO: Tom Courtway, President
FROM: Pamela Massey, Director of Internal Audit
DATE: December 3, 2012
RE: Security Breach Audit Report

PURPOSE AND SCOPE

On June 12, 2012, this auditor received notification from Ms. Katie Henry, Interim General Counsel, stating that this auditor's presence was needed at a meeting at UCAPD regarding a potential breach of security. An investigative team was put into place by UCA officials including this auditor, Ms. Henry, UCAPD officials (Chief Larry James, Major John Merguie, and investigators, Lt. Preston Grumbles and Sgt. Chris Turner), Mr. Graham Gillis, Assistant Vice President of Human Resources, and Provost Representatives (Provost Dr. Steve Runge and Associate Provost, Ms. Laura Young). [REDACTED]

It was conveyed by the investigative committee that this auditor should determine if there were additional security breaches and/or management overrides by Mr. Gillean. Therefore, an audit was performed in order to determine: (1) if Mr. Gillean used management override with respect to p-card authorizations, banner approval of UCA expenditures, and travel expenditures; and (2) if UCA had adequate security procedures to prevent a future security breach.

Information was obtained primarily through interviews, observations, and in conjunction with the following examination of records and supporting documents:

1. Computer hard drive and e-mail history assigned to Mr. Gillean;
2. Ipad and laptop hard drives assigned to Mr. Gillean;
3. Cardholder query report for 1/1/2012 to 6/15/2012 for Badge #203922;
4. Gillean key request/authorization forms;
5. Review of p-card authorization for Mr. Gillean and Mr. Henderson;
6. Review of financial transactions approved by Mr. Gillean;
7. Reviewed Banner access/approver access screens for EHS director and Chief of Staff;
8. Reviewed travel documentation for Mr. Gillean and EHS employees for 2010-2012;
9. Reviewed access privileges in Banner for grade change screens;

10. Review of UCA master key access to Wingo and President's suite;
11. Review of student worker timesheets paid from President's index (120000) as well as the student class schedules and banner input data;
12. Review of financial aid documentation on eleven students;
13. Review of admissions files on eleven students;
14. Interview with Mr. Adam Henderson;
15. Interview with Mr. Andrew Linn;
16. Interview with Ms. Dot Carden;
17. Interview with Mr. Larry Burns;
18. Interview with Mr. George McKee;
19. E-mail correspondence with Ms. Julia Winden Fey, Ms. Cheryl Lyons, Mr. Jason Rankin, Mr. George McKee and Mr. Larry Lawrence; and
20. Multiple meetings with Investigative committee.

The objective of this review was to identify potential weaknesses with regard to the security procedures and make recommendations to correct any deficiencies found. Additional objectives were to: (1) determine if Mr. Gillean had access to change grades in Banner; (2) determine if Mr. Gillean exercised management override when approving student worker leave in President's area; and (3) determine if the packaging of financial aid was appropriate and legal for specific students associated with Mr. Gillean.

BACKGROUND

THEFT BACKGROUND & CURRENT THEFT STATUS

The following illustrates the chronological details surrounding the events of the theft of:

Spring 2011- UCA student used grand master key to gain unauthorized access to professors' offices to gain access to tests according to UCAPD.

Spring 2011- A Physical plant employee found a single key on the ground on Farris Road between International Program's house and College Square Retirement Center. The key was turned into UCA locksmith, Mr. George McKee. When he verified the number on the key it was determined that the keys belonged to Mr. Gillean. At that time Mr. McKee gave the key to his supervisor, Mr. Larry Lawrence, who in turn gave the key back to Mr. Gillean. There is no specific date because this was not documented by the physical plant employees.

Fall 2011- Mr. Gillean notified President Courtway, Mr. Lawrence, and Chief James that he had misplaced his master key. According to Chief James, Mr. Gillean looked extensively and planned on looking further in hopes that he would eventually find it. The group collectively determined that since that particular master key would not open dorms or put our students in harm's way, that UCA would not re-key and it was not a critical issue. No further action by UCA.

Early Spring 2012- According to Chief James, student A communicated to Mr. Andrew Linn off-campus that he had "Jack's master key". This UCA employee informally relayed this information to UCAPD who then attempted to validate the information. Because the

information/rumor could not be validated, Chief James did not speak to Mr. Gillean about this matter and did not immediately take this information to the President.

June 11, 2012- UCAPD take a report wherein an employee at the Financial Aid office, Mr. Andrew Linn, had prescription pills taken from his desk drawer over the preceding weekend. It was determined that the student had used a university grand master key to gain unlawful entrance to the McCastlain Hall building in the early morning of June 9, 2012 at approximately 1:30 a.m.

OBSERVATION & RECOMMENDATIONS

Observation (1) Unauthorized access/security breach:

It was determined that there was unauthorized access to multiple UCA buildings with the use of a grand master key assigned to Mr. Gillean. It was also determined by Internal Audit (IA) that multiple red flags related to Mr. Gillean's erratic behavior and lack of grand master key occurred from Spring 2011 to Summer 2012. Because different areas were involved, it appears there was a break-down in communication and a departure from normal procedure as noted below:

1. There was no documentation by the Physical Plant department in regards to Mr. Gillean's grand master being found (Spring 2011) on the grounds of the university or that the key was subsequently returned to him.
2. According to Chief James, the normal process (Fall 2012) would have been for a police report to be filed when Mr. Gillean admitted his grand master key was lost, but they took no action because of the position held by Mr. Gillean. It was conveyed that the UCAPD would have had a closer look had Mr. Gillean stated that his grand master was "stolen" instead of "lost".
3. IA obtained copies of Mr. Gillean's UCA Key Request/Authorization Forms; grand master #243609 requested 5/20/08 and schlage grand master #140048 requested 3/7/11. The back of the signed form states "I, the undersigned, by accepting the identified key, hereby agree to take diligent care and promptly report any loss thereof. I further agree to not give possession of said key to any other person, nor cause or allow any copies to make of said key." The stated value of the grand master on Mr. Gillean's key request forms was \$5,000.00. However, the current Key & Lock Guidelines show the grand master valued at \$100,000.00. It should also be noted that Mr. Gillean approved his own key request forms which should have been approved/authorized by the President at the time.

Recommendation (1):

It is recommended that the University develop and implement a fraud policy to establish a process for reporting and responding to incidents of fraudulent or other dishonest acts. Such a policy could define the responsibility to adhere to the highest standards of ethical behavior in preventing fraud and provide guidance on how to report suspected fraud within any level of the organization. This would also serve to foster a culture of accountability in the UCA community.

It is also recommended that the University implement a single point of communication to receive information on suspected fraud or unethical behavior, such as a fraud hotline. Having a single point of communication would allow different areas of the University to collaborate and detect an instance of fraud that may have an effect on several different departments.

According to the UCA Key & Lock Guidelines approved by the Audit Committee on Feb. 24, 2012, Internal Audit will review annually the list of those employees with Grand Master keys at UCA to determine if staff changes have occurred that would preclude an individual from being in a position to have authority to have a grand master key. This office will also ensure that those individuals with grand master access are on the list of those individuals that have security clearance according to the stated aforementioned guidelines. Internal Audit will report the results of this review annually to the UCA Audit Committee.

Management Response (1):

Observation (2): Security Footage/Electronic Card Access

It was determined that security footage was not available in Wingo Hall. The evening of June 9, 2012 at approximately midnight, an unknown individual used a master key and then in turn used Mr. Gillean's computer to access the Ebay website. The camera that would have allowed IA staff to determine who gained access to Wingo Hall was reported by UCAPD as malfunctioned and not working properly. It was further detailed that security equipment would normally would have 6 months of footage; however, the Wingo Hall camera locked up and would not allow the police to access the footage. According to Capt. Bentley, the camera was sent to the manufacturer to determine if they could recover the footage.

Recommendation (2):

It is recommended that the UCAPD personnel determine a process/log to verify that university wide cameras are properly digitally storing the film and in working order. This could be on a rotation schedule.

It is also recommended that camera and electronic card access be installed at all entrances to all buildings (non-housing) on campus. The installation of cameras at all entrances will allow the UCAPD to monitor who is entering and exiting buildings during non-business hours. The use of access card entry will allow the university locksmith to run reports on the activity of all buildings on campus. Further, an electronic entry system would allow UCA to respond swiftly when an access card has been reported lost or stolen. The access card can be immediately deactivated, and a new card can be reissued to the employee without the need to re-key the entire campus. UCA currently has 9 buildings (excluding housing) with card access entry. There are still 28 buildings that IA recommends being moved to card access entry. This would limit the need for the

issuance of a physical key for entrance to buildings on campus.

Management Response (2):

Observation (3) COA Adjustments :

Financial Aid files of eleven students were reviewed due to their association with Mr. Gillean.

According to the Federal Student Aid Handbook, “to account for special circumstances of a student, a University’s Financial Aid Advisors (FAA) may choose to exercise professional judgment to adjust the COA (Cost of Attendance) for a student on a case-by-case basis. The reason for the adjustment must be documented in the student’s file, and it must relate to the special circumstances that differentiate a student, not to conditions that exist for a whole class of students. Schools are held accountable for all professional judgment decisions and for fully documenting each decision.”

According to current financial aid internal procedures, adjustments for transportation should be rarely used and approved by a supervisor. Procedures also preclude a financial aid advisor from making cost of attendance adjustments for family members, and/or close personal friends in order to avoid a conflict of interest.

During the 2009-2010 fiscal year, Mr. Andrew Linn, Financial Aid Assistant Director & Scholarship Coordinator, who was personally known to one of the above tested UCA students, increased this student’s COA for transportation for an “unexpected vehicle repair expense” on March 12, 2010. During an interview with said employee on August 27, 2012, it was stated that the student told the financial aid employee that his car had been stolen and recovered with damaged wheels in North Little Rock, and a copy of the police report should be in the financial aid file. IA requested the supporting documentation; however, IA was only provided with a copy of an internet sales order for a set of wheels with no evidence of payment. No police report was provided as supporting documentation. IA attempted to contact the business identified on the sales order, but the phone number had been disconnected and appears to be out of business. IA also could not determine evidence of supervisory approval.

When questioned about the lack of a police report in the file, Mr. Linn stated that the employee personally knew that this student’s car was stolen and did not drive properly after being recovered; therefore, said employee did not pursue a police report. While there was no violation of any federal rule or regulation regarding the adjustment, it is IA’s opinion that documentation was insufficient to support the unusual circumstance.

Review of other COA adjustments made to students’ transportation budgets during the three year period of 2009-2012 indicated that adjustments were made for 7 other students; however, these adjustments were made for students who could demonstrate mileage costs in excess of the

standard due to either distance from residence or for required clinical experience. The cost of attendance for the aforementioned student was the only one adjusted due to a vehicle repair.

IA requested a copy of financial aid's Conflict of Interest statement, and it was noted that the statement only precludes financial aid employees from processing financial aid with immediate family members, and did not include personal friends.

Recommendation (3):

For circumstances requiring an adjustment to a student's COA, it is recommended that financial aid staff obtain supervisory approval along with adequate documentation supporting the unusual circumstance. In order for financial aid counselors to avoid the appearance or possibility of conflict of interest when processing financial aid applications, the required Conflict of Interest statement should agree with Financial Aid's current internal procedures and preclude staff from taking any action on any applications of personal friends.

Management Response (3):

Observation (4): Academic Institutional Scholarship Renewal

Scholarship documentation of eleven students was reviewed due to their association with Mr. Gillean.

UCA awarded Presidential institutional scholarships during the 2006/2007 academic year which awarded "tuition & fees for up to 21 hours, and room" per semester. For renewal, students were required to complete at least 30 hours cumulatively in the fall and spring terms with a yearly GPA of 3.25. Hold and exception requirements that were in effect for the award during the 2006/2007 academic year states the "scholarship may be placed on hold for a semester if you have a documented medical condition or documented military service."

A student was awarded the Presidential Scholarship during the 2006/2007 academic year; however, the scholarship was placed on hold due to military service until the readmission in Fall 2008. Upon readmission, the scholarship was renewed for four years ending in academic year 2011/2012. IA reviewed this student's course and grade history in Banner to determine whether the student met renewal requirements while receiving the scholarship. The review indicated that during the 2010/2011 academic year, this student only completed 26 hours; however, the student's scholarship was renewed for the 2011/2012 academic year.

Upon inquiry Mr. Larry Burns, Director of Special Projects, indicated that the scholarship was renewed but was unable to provide supporting documentation or evidence of supervisory approval. Upon further inquiry, Mr. Burn's supervisor indicated that the renewal was based on a medical exception but also could not provide supporting documentation. It should be noted that the requirements for a medical exception according to the UCA Scholarship website

<http://uca.edu/scholarships/current-students/university-scholarship> states, “The medical exception for scholarship requirements applies only to severe or life-threatening medical emergencies”. IA personnel was not provided documentation indicating that any such life-threatening or severe medical emergency was experienced by this student.

Recommendation (4):

It is recommended renewal guidelines set out in each type of academic institutional scholarship should be followed by UCA personnel. It is further recommended that in the case of exceptions or holds, documentation should be maintained in the student renewal file and documented on the banner comment screens. It is also recommended that as an internal control and to prevent fraud, no single individual should have the authority to renew academic scholarships when the student hasn't met the renewal criteria of the scholarship. The student appeal evaluations should be at a minimum reviewed under dual control or presented to the scholarship committee for review and approval.

Management Response (4):

Observation (5): Management Override of Student Worker pay

It was determined that between 2008-2011, Mr. Gillean displayed management override on student worker pay in the President's office that were either hired directly by Mr. Gillean, reported directly to him and/or were paid from President office funds but worked in Environmental Health and Safety in the following observations:

1. It was found that there were four work study students employed by the President's office that indicated their timesheets frequently conflicted with class schedules and lacked supervisory approval.
2. For one of the students, the time sheets were both completed and approved by Mr. Gillean. Hours reported on the timesheets were then approved in the Banner system by the supervisor's staff indicating evidence of management override in the approval of student worker timesheets.
3. In one case, 36 hours submitted on UCA timesheets conflicted with hours submitted for a local internship submitted to that organization.

Work study hiring procedures outlined by the Student Financial Aid department indicate that, “It is the supervisor's responsibility to monitor and review the time sheets for accuracy and completion before turning it into the payroll office. This includes hours worked over 40 and during class time.” The student workers supervisor (Gillean), as a member of the executive administrative staff, used his authority to override controls in place for timesheet approval. Further, Ms. Dot Carden, Administrative Assistant to Mr. Gillean, was responsible for ensuring hours entered into Banner didn't conflict with the manual timesheet was told to approve the time in Banner by Mr. Gillean when differences or errors were found. This employee knew and was aware of timesheet procedures but through intimidation by Mr. Gillean, it was conveyed that she

had to approve the timesheets in Banner. Ms. Carden was also listed as the supervisor (on hiring paperwork and in Banner) of the student workers paid from President's office even though the students reported directly to Mr. Gillean and/or Mr. Henderson.

It should be noted that the President's office discontinued the use of student workers subsequent to Mr. Gillean's resignation.

Recommendation (5):

It is recommended that employees should be educated to recognize that their signature as the hiring authority makes you accountable for that student and their work hours submitted. That signature and authority by the UCA employee is an indication of accountability.

Student Workers should be hired and paid from the organization (area) that they work in. Those individuals that fill out the hiring paperwork as their supervisor should be the individual physically supervising the student to verify actual time worked.

A subordinate should not be put in the position to approve a supervisors work or activity.

Management Response (5):

Observation (6): Circumvention of Application process

It was determined that Mr. Gillean abused his knowledge of admittance procedures by allowing a student to circumvent a specific application process.

Recommendation (6):

This Auditor recommends that a comprehensive fraud policy at UCA could prevent future abuse at the top. This behavior might have been reported by suspecting employees. Please see Recommendation one (1) above.

Management Response (6):

Observation (7): Academic Integrity

It was determined that there was a breach of academic integrity at UCA. Student A admitted to UCA officials that he used his possession of Mr. Gillean's grand master key to gain unauthorized entrance to certain buildings to obtain multiple exams by breaking into professor's offices and compromising the integrity of the exams. [REDACTED]

[REDACTED]

Recommendation (7):

[REDACTED]

It should be noted that subsequent to our inquiry, Ms. Cheryl Lyons, Financial Aid Director, reported the incident on the Office of Inspector General "ED Inspector General's Hotline Special Complaint Form" on November 15, 2012.

Because of the academic integrity issues associated with Student A, it is recommended that faculty as a best practice save their test on a pool drive. If a student gained unlawful entry to a professor's office, then the student would not have access to the pool drive without the faculty member's banner password.

Management Response (7):

Observation (8): Grade Maintenance

It was determined that Mr. Gillean did not have access to change grades in the Banner system therefore no breach of security was found in this area. It was found however that the access was too broad with multiple employees found to have access to this Banner input screen. After meeting with academic personnel, the access was updated to limit access to the Office of Registrar personnel only.

Recommendation (8): Grade Maintenance

It is further recommended that Banner access be reviewed regularly to ensure access to the grade change screens only allows access for employees appropriate for their position.

Management Response (8):

Observation (9):

The following areas were reviewed by Internal Audit with no areas of concern found:

1. Banner "Approver" access reviewed for Mr. Gillean to determine if management override

- or collusion existed. No approval of unusual transactions noted.
2. Purchasing Card transactions were reviewed for Mr. Gillean and subordinate Mr. Adam Henderson, former Director of Environmental Health and Safety. It was determined that an internal Purchasing Card was not issued from U.S. Bank in their respective names.
 3. Travel for Mr. Gillean and Mr. Henderson was reviewed with no exceptions noted.
 4. Leave time for Mr. Gillean, Mr. Henderson, and Mr. William Chase Thompson (former employee of Environment Health and Safety) was reviewed with no exceptions noted.

Recommendation (9):

No recommendation necessary.

CONCLUSION

Based upon the fraudulent behavior of upper administration in the last 4 years at UCA, it is IA's opinion that UCA create a comprehensive fraud board policy and implement a comprehensive confidential "Hotline" for all UCA employees, students, vendors, and others to be operated by a third party server. These two actions will set a tone for an ethical culture for current and future administrators as well as prevent and deter future fraudulent behaviors/actions.

It should be noted that the investigative committee met on November 8, 2012 and reviewed two potential hotline vendors via web.

The Internal Audit draft of this report was sent to management for review.

- c: UCA Audit Committee
Ms. Katie Henry, Interim General Counsel
Dr. Steve Runge, Interim Provost and Vice President of Academic Affairs
Ms. Diane Newton, Vice President of Finance and Administration
Mr. Robert Parrent, Vice President of Enrollment Management
Chief Larry James, UCAPD
Mr. Larry Lawrence, Director of Physical Plant
Larry Hunter, Deputy Legislative Auditor