

Audit Report

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**University System of Maryland  
University of Maryland Center for Environmental  
Science**

May 2015

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**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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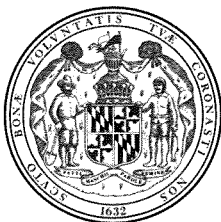
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Karl S. Aro  
Executive Director

May 20, 2015

Thomas J. Barnickel III, CPA  
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Maryland Center for Environmental Science (UMCES) for the period beginning December 2, 2011 and ending November 11, 2014. UMCES engages in environmental research, public service, and educational activities at four regional laboratories. UMCES also includes the Sea Grant College, which coordinates the research efforts of USM that are associated with the United States Department of Commerce's National Oceanic and Atmospheric Administration.

Our audit disclosed that UMCES did not perform required collection efforts for outstanding grants receivable.

The USM Office's response to this audit, on behalf of UMCES, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by UMCES.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom J. Barnickel III".

Thomas J. Barnickel III, CPA  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

The University of Maryland Center for Environmental Science (UMCES) engages in environmental research, public service, and educational activities at four regional laboratories: Appalachian Laboratory in Frostburg, Chesapeake Biological Laboratory in Solomons, Horn Point Laboratory in Cambridge, and the Institute for Marine and Environmental Technology in Baltimore. UMCES also includes the Sea Grant College, which coordinates the research efforts of the University System of Maryland that are associated with the Sea Grant Program within the United States Department of Commerce's National Oceanic and Atmospheric Administration. UMCES' administrative office is located in Cambridge, Maryland.

UMCES' budget is funded by unrestricted revenues, such as State appropriations and restricted revenues, such as federal grants. According to the State's accounting records, fiscal year 2014 revenues totaled approximately \$43.8 million, which included a State general fund appropriation of approximately \$20.7 million. UMCES expenditures for fiscal year 2014 totaled approximately \$43.8 million.

### **Status of Finding From Preceding Audit Report**

Our audit included a review to determine the status of the finding contained in our preceding audit report dated May 29, 2012. We determined that UMCES satisfactorily addressed this finding.

## **Findings and Recommendations**

### **Grants**

#### **Finding 1**

**Required collection efforts were not performed for outstanding grants receivable.**

#### **Analysis**

Grant amounts owed to UMCES were not always pursued in accordance with State regulations. Our review of 10 delinquent grant accounts totaling approximately \$280,000, which had been outstanding for at least 90 days as of

October 31, 2014, disclosed that UMCES did not timely pursue collection for 8 accounts totaling approximately \$253,600. The delays in issuing written demands ranged from 24 to 311 days after the dates required, including one account for which no written demand for payment was made until our inquiry. State regulations generally require that three written demands for payment be made on accounts at 30-day intervals. Delays in the pursuit of outstanding debts may decrease the likelihood of collecting the funds.

The balance of grants receivable, due from federal and state agencies and certain private sources, has increased over the audit period. According to UMCES' records, as of October 31, 2014 there were 96 grant invoices with outstanding balances totaling approximately \$992,000. As of December 31, 2011, the total outstanding balance was approximately \$121,786.

#### **Recommendation 1**

**We recommend that UMCES issue demands for payment at the intervals required by State regulations.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the University System of Maryland (USM) – University of Maryland Center for Environmental Science (UMCES) for the period beginning December 2, 2011 and ending November 11, 2014. 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 UMCES' financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included cash receipts, purchases and disbursements, payroll, grants and contracts, corporate purchasing cards, and revolving accounts for research activities. We also determined the status of the finding contained in our preceding audit report.

Our audit did not include certain support services provided to UMCES by the USM Office (such as endowment accounting) and by the University of Maryland, College Park (such as processing vendor payment transmittals and certain payroll functions). These support services are included within the scope of our audits of the USM Office and the University of Maryland, College Park, respectively. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of UMCES' compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including UMCES.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of UMCES' operations, and tests of transactions. We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from UMCES' grants management system for the purpose of testing grants and contracts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

UMCES' 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 a finding relating to a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect UMCES' ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This condition is also a significant instance of noncompliance with applicable laws, rules, or regulations.

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

May 18, 2015

Mr. Thomas J. Barnickel III, CPA  
Legislative Auditor  
Office of Legislative Audits  
State Office Building, Room 1202  
301 West Preston Street  
Baltimore, MD 21201

1807  
University of Maryland,  
Baltimore

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University of Maryland,  
College Park

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Bowie State University

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Towson University

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University of Maryland  
Eastern Shore

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Coppin State University

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Salisbury University

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University of Baltimore

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University of Maryland  
Center for Environmental  
Science

1947  
University of Maryland  
University College

1966  
University of Maryland,  
Baltimore County

Re: University System of Maryland –  
University of Maryland Center for Environmental  
Science  
Period of Audit: December 2, 2011 through  
November 11, 2014

Dear Mr. Barnickel:

I have enclosed the University System of Maryland's responses to your draft report covering the examination of the accounts and records of the University System of Maryland – University of Maryland Center for Environmental Science. Our comments refer to the individual items in the report.

Sincerely,

William E. Kirwan  
Chancellor

WEK:mk  
Enclosures

cc:

Dr. Donald F. Boesch, Ph.D., President, UMCES  
Ms. Erica Kropp, Vice President for Administration, UMCES  
Mr. James L. Shea, Chair, University System of Maryland Board of Regents  
Mr. Anwer Hasan, Chairman, MHEC  
Ms. Jennie C. Hunter-Cevera, Ph.D., Acting Secretary of Higher Education, MHEC  
Mr. Robert L. Page, Associate Vice Chancellor for Financial Affairs, USM Office  
Mr. David Mosca, Director of Internal Audit, USM Office

**RESPONSE TO LEGISLATIVE AUDIT REPORT  
UNIVERSITY SYSTEM OF MARYLAND  
UNIVERSITY OF MARYLAND CENTER FOR  
ENVIRONMENTAL SCIENCE  
DECEMBER 2, 2011 TO NOVEMBER 11, 2014**

**Grants**

**Finding 1**

**Required collection efforts were not performed for outstanding grants receivable.**

**Recommendation 1**

**We recommend that UMCES issue demands for payment at the intervals required by State regulations.**

**University response**

UMCES is collaborating with the University of Maryland, College Park (UMCP), and is in the process of transitioning to the billing and accounts receivable system currently utilized by UMCP which will eventually be integrated into the Kuali Financial System. The implementation of this newer, more dependable invoicing and receivables program will significantly increase the timeliness, reliability and effectiveness of the entire invoicing process, including collections, at UMCES. UMCES expects to be utilizing this system by late summer 2015.

UMCES hired a new Accountant in February to fill a position that had recently been vacated, and the collection of past-due accounts was made a priority, particularly those that were over ninety days old. Of those delinquent accounts, 85% have been collected, and the remainder is in the process of being collected. As the invoicing process continues to generate invoices on a timely basis, we expect to see the current receivable balances increase, but also expect to see the delinquent balances decrease.

AUDIT TEAM

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Audit Manager

**Joseph E. McWilliams, CFE**  
Senior Auditor

**Annette L. Manning**  
Staff Auditor