

Audit Report

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

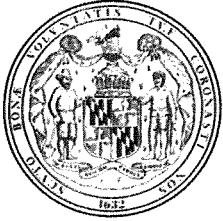
May 2012

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

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Karl S. Aro  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA  
Legislative Auditor

May 29, 2012

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee  
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the University System of Maryland (USM) - University of Maryland Center for Environmental Science (UMCES) for the period beginning December 3, 2008 and ending December 1, 2011. 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 the University System of Maryland that are associated with the U.S. Department of Commerce's National Oceanic and Atmospheric Administration.

Our audit disclosed that employee timesheets were not always signed by the employees or approved by supervisory personnel.

The response from the USM Office 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 that reads 'Bruce A. Myers'.

Bruce A. Myers, 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 U.S. Department of Commerce's National Oceanic and Atmospheric Administration. The UMCES administrative office is located in Cambridge, Maryland. The 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 2011 revenues totaled approximately \$42.3 million, which included a State general fund appropriation of approximately \$17.9 million. UMCES expenditures for fiscal year 2011 totaled approximately \$42.3 million.

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

We reviewed the status of the two findings included in our preceding audit report dated April 23, 2009. We determined that UMCES satisfactorily addressed these two findings.

## **Findings and Recommendations**

### **Payroll**

#### **Finding 1**

**University of Maryland Center for Environmental Science (UMCES) did not ensure that employee timesheets were signed by the employees and approved by supervisory personnel.**

#### **Analysis**

UMCES did not use available reports from the University System of Maryland (USM) automated payroll and personnel system to monitor the signing and supervisory approval of employee timesheets. Specifically, our review of fiscal year 2011 reports from the UMCES automated payroll and personnel system (which we tested and found sufficiently reliable) disclosed that, for 88 employees,

131 timesheets had not been signed by the employee and 260 timesheets had not been approved by the supervisor. Additionally, 87 of these timesheets, relating to 23 employees, were not signed by either the employee or the supervisor. Consequently, there is a lack of assurance that work time reported and paid for was proper.

According to the user manual for the USM automated payroll and personnel system, each employee must complete and sign a bi-weekly timesheet, which must be approved by the employee's supervisor. UMCES payroll expenditures totaled approximately \$25.7 million during fiscal year 2011, according to the State's records, and as of June 30, 2011, UMCES had 421 active employees on its payroll.

#### **Recommendation 1**

**We recommend that UMCES use the available monitoring reports to ensure that timesheets are signed by employees and approved by supervisors.**

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

We have audited the University System of Maryland (USM) – University of Maryland Center for Environmental Science (UMCES) for the period beginning December 3, 2008 and ending December 1, 2011. 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. 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. The areas addressed by the audit included cash receipts, procurements and disbursements, payroll, federal fund reimbursements, and revolving accounts for research activities. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of UMCES' 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, such as the processing of cash receipts and vendor payment transmittals, provided to UMCES by the University of Maryland, College Park. These support services are included within the scope of our audit of the University of Maryland, College Park. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of UMCES' 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 UMCES.

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 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, and regulations. Other less significant findings were communicated to UMCES that did not warrant inclusion in this report.

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 25, 2012

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

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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

1886  
University of Maryland  
Eastern Shore

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Frostburg State University

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Coppin State University

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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

RE: University System of Maryland –  
University of Maryland Center for  
Environmental Science  
Period of Audit: December 3, 2008  
Through December 1, 2011

Dear Mr. Myers:

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 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 Boesch, President, UMCES  
Dr. Patricia Florestano, Chair, Board of Regents  
Mr. Anwer Hasan, Chairman, MHEC  
Dr. Danette Howard, Interim Secretary of Higher Education, MHEC  
Mr. Robert Page, Comptroller, USM Office  
Mr. David Mosca, Director of Internal Audits, USM Office

## **RESPONSE TO THE LEGISLATIVE AUDIT REPORT**

### **UNIVERSITY SYSTEM OF MARYLAND – UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE**

**FOR THE PERIOD OF DECEMBER 3, 2008 – DECEMBER 1, 2011**

#### **Findings and Recommendations**

##### **Payroll**

###### **Finding 1**

**University of Maryland Center for Environmental Science (UMCES) did not ensure that employee timesheets were signed by the employees and approved by supervisory personnel.**

###### **Recommendation 1**

**We recommend that UMCES use the available monitoring reports to ensure that timesheets are signed by employees and approved by supervisors.**

###### **Response 1**

**We concur.**

**UMCES initiated and completed a process of contacting all salaried employees whose timesheets were not complete and has now made the appropriate adjustments to vacation and sick leave banks for leave taken that had not been recorded.**

**Beginning this last quarter in FY 2012, UMCES' Office of Human Resources has implemented a procedure for identifying and correcting late or unsigned timesheets. A late timesheet report is run from the payroll system at least once per month. As needed, a report is issued to Laboratory Directors and Laboratory Assistant Directors to ensure that they immediately contact any employee(s) who has not completed their timesheet(s). Any report that includes employees with late timesheets from the prior report will be so noted and the Vice President for Administration will be included on the distribution of that report.**

AUDIT TEAM

**Matthew L. Streett, CPA, CFE**  
Audit Manager

**Ken H. Johanning, CFE**  
Senior Auditor

**R. Frank Abel, CPA, CFE**  
**Joseph E. McWilliams**  
Staff Auditors