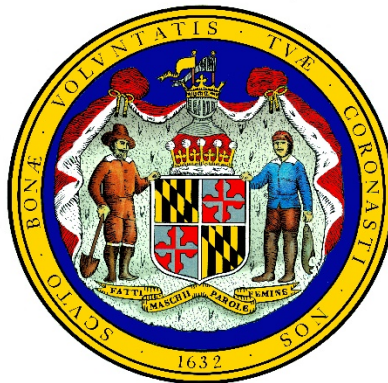


Audit Report

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

January 2024



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

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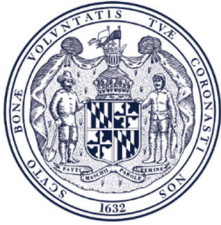
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

January 31, 2024

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation 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 17, 2018 and ending May 31, 2023. 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 did not disclose any findings that warrant mention in this report.

We wish to acknowledge UMCES’ efforts to satisfactorily address the finding contained in our preceding audit report. We also wish to acknowledge the cooperation extended to us during the audit by UMCES.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook".

Gregory A. Hook, 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 2022 revenues totaled approximately \$46.6 million, which included a State general fund appropriation of approximately \$20.8 million. UMCES expenditures for fiscal year 2022 totaled approximately \$46.6 million (See Figure 1 on the following page).

Figure 1
UMCES Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	257.4	93.0%
Vacant	19.5	7.0%
Total	276.9	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$32,917,869	70.6%
Technical and Special Fees	230,122	0.5%
Operating Expenses	13,496,619	28.9%
Total	\$46,644,610	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
<u>Unrestricted</u>		
General Fund	\$20,774,048	44.5%
Other University Revenues ¹	8,682,180	18.6%
	\$29,456,228	63.1%
<u>Restricted</u>		
Federal Grants and Contracts	\$10,660,883	22.9%
State and Local Grants and Contracts	3,433,498	7.4%
Other Gifts, Grants and Contracts	3,094,001	6.6%
	\$17,188,382	36.9%
Total	\$46,644,610	

Source: State financial records and UMCES personnel records

¹ Includes revenues from Sale and Services of Educational Services (\$3M), from other unrestricted gifts, grants, and contracts (\$3.5M), and from the Higher Education Investment Fund (\$2.1M).

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 June 14, 2019. We determined that UMCES satisfactorily addressed this finding.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of University of Maryland Center for Environmental Science's (UMCES) internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Findings that did not warrant inclusion in this report were separately communicated to University System of Maryland (USM) and UMCES.

A draft copy of this report was provided to USM and UMCES. Since there are no recommendations in this report, a written response was not necessary.

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 17, 2018 and ending May 31, 2023. 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, 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 (UMCP), such as procurements, the processing of vendor payment transmittals, and payroll. These support services are included within the scope of our audits of the USM Office and UMCP, respectively. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal 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 the components of the USM.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of December 17, 2018 to May 31, 2023, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of UMCES' operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

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

sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from UMCES' grants management system and financial 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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to UMCES, were considered by us during the course of this audit.

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.

AUDIT TEAM

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Audit Manager

Edward J. Welsh, CFE
Senior Auditor

Garrett A. White
Staff Auditor