

MAS NEWSLETTER

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MAS Revised Mission to Provide More Training to the Campus



MAS recently revised its mission to the campus community. Although MAS has been providing training sessions to help educate the campus on internal controls, there will be increased emphasis on providing training in new areas to educate both administrators and managers in the policies, procedures, rules, regulations, and guidelines that impact their daily responsibilities. Education and understanding in these areas will help them make more informed business decisions and consequently lead to more efficient and effective operations. Please contact MAS with your suggestions for future areas of training that could benefit the campus community.

[AUDIT NEWS](#)

RECENT USM AUDITS ON CAMPUS

Legislative Audit Follow-up

The University System of Maryland (USM) Office of Internal Audit recently completed a follow-up review on the most recent UMBC legislative audit report to determine the status of our corrective actions and likelihood of repeating items in the next legislative audit report. The legislative audit report included nine comments and covered the period from February 1, 2002 to September 30, 2005. The Office of Internal Audit found that UMBC had fully resolved six out of the nine comments and substantially resolved three of the comments. The three substantially resolved items involved cash receipts, payroll and IT password controls. MAS will continue to work with those Departments to ensure the corrective actions are made and minimize the likelihood of those items being repeated.

IT Disaster Recovery and Business Continuity Planning and Procedures

In September, the USM Office of Internal Audit also completed an Information Technology Recovery/Contingency audit to determine the adequacy of UMBC's existing disaster recovery plan (DRP) and evaluate whether the plan can be executed in the event of a disaster. The audit found that the DRP could be executed, however the DRP was missing certain elements and associated processes regarded as best practices by professional DRP organizations and the Department of Budget & Management. The UMBC Information Technology staff generally concurred with the audit recommendations and is working to implement the necessary corrective actions. The USM Office of Internal Audit will follow up on this audit within the next year.

Nonresident Alien Tax Withholding

The USM Office of Internal Audit recently performed a compliance audit of the nonresident alien withholding tax and reporting at UMBC. The objective of the audit was to evaluate controls for ensuring that withholding tax was reported to the Internal Revenue Service and that proper documentation was obtained from nonresident alien employees, contractors and students. The report noted the following:



- A. Scholarships to nonresident aliens were not properly evaluated to ensure proper withholding.
- B. UMBC did not properly identify independent contractors who were subject to withholding tax.
- C. Procedures were not in place to effectively monitor and capture changes in immigration status.

UMBC is implementing new procedures to address these findings.

Purchasing Card Audit Follow-Up

The USM Office of Internal Audit recently performed a follow-up to their October 18, 2006 audit of UMBC's Purchasing Card Program. The follow-up report noted that UMBC had fully or substantially resolved both of the comments from the October 18, 2006 report relating to: 1) appropriate oversight and review of p-card records, and 2) appropriate review of the cancellation of cards for terminated and transferred employees. MAS would like to thank the campus community for their cooperation with the auditors and for their commitment to addressing and correcting in a timely manner those areas noted for improvement in the audit report.

Hazardous Material ("Haz Mat") Operations Audit

The USM Office of Internal Audit completed an audit of UMBC's hazardous materials operations in January 2007. The objective of the audit was to evaluate UMBC's controls for ensuring compliance with regulatory requirements designed to protect human health and the environment from hazardous materials. The following areas were noted in the audit report as needing improvement:



- A. Hazardous Waste Storage Facility
- B. Haz Mat Policies and Procedures
- C. Laboratory Compliance with Safety Guidelines
- D. Record Keeping Process over Hazardous Materials

MAS would like to thank the Environmental Safety and Health staff for their cooperation. Partially as a result of this audit, funds have been identified for the eventual construction of a free-standing hazardous waste facility. Although audit findings are sometimes seen as just negative remarks, findings can sometimes provide an unanticipated departmental benefit.

NSF AUDIT

The National Science Foundation (NSF) recently sent auditors to campus to audit three of our NSF awards. The objectives of the audit were to ensure that UMBC was following the cost principles specified in OMB Circular A-21 and the federal administrative requirements in OMB Circular A-110, and was properly reporting award activity to NSF. The auditors found that overall; costs claimed by UMBC were fairly stated, allowable, allocable and reasonable for the three awards. Of the \$9.4 million in costs claimed on the three awards, the auditors questioned about \$175,000, but since the awards had not been closed, adjustments were made to subsequent billings and the campus will not have to return any funding. The auditors also identified the following as compliance and internal control deficiencies:

- A. Procedures were not in place to ensure that costs charged to NSF awards were accurate, allowable, and allocable. In short, we sometimes allowed costs to be charged to the NSF awards that did not belong there and then did not always move them off the award timely.
- B. Procedures were not in place to ensure the accuracy and validity of subaward costs charged to NSF awards.
- C. Procedures were not in place to adequately monitor cost sharing expenditures claimed by subawardees.
- D. Procedures were not in place to detect errors in the amount of indirect costs claimed to NSF awards.

In response to the audit, UMBC indicated that a comprehensive subawardee fiscal monitoring plan and written policies and procedures to obtain and review cost sharing data and related supporting documentation from subawardees were being developed. In addition, the campus was reorganizing its OSP and Contract and Grant Accounting departments and was planning to develop and provide training to departments for grant reconciliations.

If you have an NSF award and would like to know more about the audit process and results, please contact Michele Evans.

P-CARD CORNER

Clothing Purchases – Can I Purchase T-Shirts?

The revised P-card User's Guide clarifies what types of clothing purchases are allowed on the p-card. The policy prohibits the following clothing expenditures for employee use: tuxedo rental, shirts, and jackets. Allowable exceptions would be uniforms worn daily by University staff or other shirts or apparel worn by University staff for identification at events or activities. Please consult the p-card user's guide located on the procurement web site at <http://www.umbc.edu/procurement> under the Departmental Information link or contact the Department of Procurement if you are unsure about the propriety of a future clothing purchase.



FYI**Audit Survival**

Could you survive an audit of one of your grants?

In almost any audit involving proposed or actual costs, whether direct or indirect, auditors will be looking for evidence to answer these questions: Are the costs allowable? Are the costs allocable? Are the costs reasonable? But what do these terms and concepts actually mean?

Allowability for costs related to government – funded sponsored projects is determined by the provision of the governing sponsored agreement, or by cost principles established by the federal government in OMB Circular A-21. For example, A-21 defines certain types of expenses (e.g., alcohol, lobbying, or entertainment), as categorically unallowable. Other costs may be unallowable per the specific terms of an award.

An expense is allocable to a project if the material or service being charged benefits that project. Allocability is not the same as allowability; an otherwise allowable cost (e.g., salary or travel) may be unallocable to a particular account if the project supported by that account did not benefit from the cost. A cost can be allocable to a project or activity as either a direct or an indirect cost, depending on whether the cost can be specifically identified to the project or activity.

Reasonableness is a subjective quality that requires application of the “prudent person” test. An auditor may legitimately question a cost that is clearly allocable and not otherwise unallowable if, in the auditor’s judgment, the cost exceeds what a reasonable person would have paid in similar circumstances.

Internal Control Education Session Update

MAS next Internal Control Education Session will be held on Tuesday, February 19, 2008 from 10:00 AM until 12:00 PM in Commons 331.

Attendance at a MAS Internal Control Education Session is now required for new employees. If you or anyone of your staff would like to register for the next session, please go to the OIT training site <http://umbc.edu/oit/training>. Additionally, if you would like to know which employees from your department have already attended the Internal Control Education Sessions, you may now contact Frances Toth for a list.

**Tips from the Campus**

This is a new section that we hope will prove useful to the campus community. If anyone has a tip that they feel would be beneficial to others on campus, please send it to us and we will include it in our newsletter – and give you credit for it, of course!



This time the tip comes from Gina Fischer, Assistant Director of Business Services for the Biological Sciences Department. Gina recently undertook the dreaded task of purging her department of records that were no longer needed and had outlived the record retention requirements. Since departments that have grants must adhere to different record retention requirements than those for solely State funded activity, Gina suggests indicating on timesheets the chartstring to which the related payroll is charged.

Therefore, when it comes time to destroy the timesheets, departments will know if the timesheets need to be maintained for a longer period of time because they were charged to a grant.

Thanks to Gina for the tip and we hope you find it helpful too. Please keep those tips coming!



KUDOS...

... to the following P-Card cardholders on their first P-Card review: Sidney Reagan, Nicholas Lennon, Tanika Hall, and Margo Falahee. Recently completed reviews by MAS show that these cardholders are managing their cards well. Thanks for your efforts and keep up the good work!

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