



**UNIVERSITY SYSTEM OF MARYLAND  
BOARD OF REGENTS - AUDIT COMMITTEE  
MEETING AGENDA - OPEN SESSION [REVISED]  
June 12, 2019**

- |  |                         |
|--|-------------------------|
| 1. Update of UMES' Progress to Address Audit Findings From its Most Recent Office of Legislative Audit Report (Information & Discussion) | Dr. Anderson            |
| 2. SB & C's Audit Plan for the FYE 2019 Independent Audit (Information & Discussion)   | Mr. Smith<br>Ms. Booker |
| 3. Update of Board of Regents Enterprise Risk Management Workgroup Activity (Information and Discussion)                                 | Mr. Pope<br>Ms. Herbst  |
| 4. Board of Regents Policies Reviewed by the Committee on Audit During FY 2019 (Information)   | Mr. Mosca               |
| 5. Completed Office of Legislative Audit Activity (Information & Discussion)   | Mr. Mosca               |
| 6. Open Action Items from Prior Meetings (Information & Discussion)  | Mr. Mosca               |
| 6.1 SB 719 Discussion  |                         |
| 7. Convene to Closed Session (Action)  | Ms. Fish                |
-



**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

**Food Service Vendor Revenue**

**Finding 1**

**The University of Maryland Eastern Shore (UMES) improperly deposited revenue from its food service vendor, totaling \$1.3 million, with the University System of Maryland (USM) Foundation.**

**Recommendation 1**

**We recommend that UMES**

- a. ensure that all income received is properly deposited with the State Treasurer;**
- b. perform a documented review of the use of the aforementioned funds by the USM Foundation to ensure that expended funds were appropriately used to support UMES; and**
- c. recover any funds relating to expenditures not made in support of UMES, as well as any of the funds that have not yet been expended by the Foundation.**

**University response**

The University of Maryland Eastern Shore concurs with this recommendation.

- a. UMES will ensure that all income of the University will be properly deposited in the State Treasury.
- b. The University will perform a documented review of the use of the aforementioned funds by the USM Foundation to ensure the expended funds were appropriately used to support UMES.
- c. As a result of the review of expended funds by the USM Foundation, the University will seek to recover any funds found to not have been expended in support of UMES. The Foundation has transferred the unspent \$346,962.08 back to UMES.

**University update**

Administrative Affairs including the Comptroller and Procurement Office as well as Institutional Advancement and the University Counsel are fully aware this issue and have taken the immediate position that income generated from University contracts belong to UMES and should be deposited in the State Treasury's account and not the Foundation. This will be enforced with all future revenue generating contracts.

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

The Assistant Comptroller has performed a documented review of expenditures made from the \$1.3 million deposited by the Foundation and not returned to the University. A detailed spreadsheet of the expended funds along with documentation has been provided to the University for review and determination as to whether the expended funds were appropriately used to support UMES. Final review and determination of the unreturned expended funds will be completed before June 30, 2019.

The University will seek to recover from the Foundation before July 31, 2019, any funds expended from the \$1.3 million deposit that were not appropriately used to support UMES.

Persons Responsible: Lester Primus, VP for Administration and Finance

**Contract Procurements and Monitoring**

**Finding 2**

**UMES did not comply with USM policies, or circumvented these policies, for procurement transactions totaling approximately \$1.5 million.**

**Recommendation 2**

**We recommend that UMES**

- a. comply with USM's *Procurement Policy* by ensuring that all architectural and engineering services and capital improvement projects exceeding \$1 million are procured by the applicable USM service center unless the required authorized delegation has been obtained, and**
- b. ensure that procurements are not artificially split to circumvent USM policy regarding capital improvements.**

**University response**

The University of Maryland Eastern Shore concurs with both recommendations.

- a. UMES's procurement department will comply with this recommendation by forwarding all architectural and engineering requests to the USM service center for review and processing per the policies and procedures. This procedure has been added to the department's standard operating procedures.
- b. UMES's procurement department will comply with this recommendation and re-educate the campus on policies and procedures regarding split purchases.

**University update**

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

- a. This item has been completed. On August 6, 2018, Director of Procurement revised standard operating procedures to incorporate the requirement that architectural and engineering services and capital improvement projects exceeding \$1 million are procured through the University of Maryland College Park (UMCP) unless authorized delegation has been obtained. The procurement staff were made aware of the requirement verbally and in writing at the time of revision. Shortly after the audit finding, Procurement received A/E requests from Facilities and forwarded them to the UMCP Service Center per the USM policies and procedures.

Although, this item has been completed, efforts to re-educate the campus community and stress the importance of adhering to procurement policy and procedures are ongoing.

- b. On September 11, 2018, procurement attended the Physical Plant Managerial Staff Meeting and shared procurement policies and procedures regarding stringing/splitting of purchases. The Director of Procurement also discussed her concerns of splitting purchase requests with the Facilities Director.

An email will be distributed to the campus community, by July 1, 2019, reminding everyone of the procurement policy requirements regarding the splitting and stringing of purchasing requests. Procurement will also meet again with Facilities and Physical Plant managerial staff to reiterate the procurement policies and procedures regarding split purchases.

Although, this item has been completed, efforts to re-educate the campus community and stress the importance of adhering to procurement policy and procedures are ongoing.

Person responsible: Jacqueline Collins, Director of Procurement

**Finding 3**

**UMES did not adequately monitor its food service vendor to ensure required operational investments were made and proper commissions were received. UMES also did not verify vendor prices for certain purchases under other contracts.**

**Recommendation 3**

**We recommend that UMES**

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

- a. verify that its food service vendor provides the capital and operational investments required by the contract terms,**
- b. verify reported food service sales and ensure that the proper commissions are remitted,**
- c. verify that prices invoiced for goods and services are in accordance with the approved contract pricing, and**
- d. ensure that all contracts are properly approved in accordance with its procurement policy.**

**University response**

The University of Maryland Eastern Shore concurs with all recommendations.

- a. The Vice President will perform an annual review of the food service vendor's capital and operational investments required by the contract terms.
- b. UMES has taken immediate steps to implement a review process to verify sales to ensure commissions are properly remitted to the University. This monthly review will be performed by the Assistant Director of Auxiliary Services.
- c. The Office of Procurement will comply with the recommendation by requesting contract vendors to provide a quote indicating the retail and discounted price for all items/services procured when using an approved contract. This process has already been incorporated in procurement's standard operating procedures.
- d. The Office of Procurement will implement standard operating procedures to ensure compliance with this recommendation.

**University update**

- a. UMES has taken immediate steps to address this recommendation. The Interim VP for Administration and Finance met with Thompson Hospitality's VP for Operations on June 4, 2018 to review the documentation for capital and operational investments as required by the contract. The 2019 annual review meeting with Thompson Hospitality will be scheduled and held before June 30, 2019.

Person responsible: Lester Primus, VP for Administration and Finance

- b. The Associate VP for Financial Services is working with the Assistant Director of Auxiliary Services to develop a standard operating procedure and monthly reconciliation for reviewing and ensuring the appropriate amount of commission has been remitted by Thompson Hospitality. The reconciliation is

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

on track to be completed by June 30, 2019. Subsequent monthly reconciliations will be completed utilizing the new procedure and format.

Person responsible: Mert Hood, Assistant of Auxiliary Services

- c. On July 23, 2018, the Director of Procurement revised standard operating procedures to incorporate the requirement of vendors including retail and discounted prices for all items/services procured when using an approved state contract. Procurement staff were made of aware of the requirement at the time of revision.

An email will also be distributed by July 1, 2019, alerting the campus community of the requirement that only procurement has the authority to sign vendor contracts obligating the University.

Person responsible: Jacqueline Collins, Director of Procurement

- d. Procurement sent out campus-wide memos in February and July 2018, reiterating UMES' policy of requiring appropriate management approval prior to purchasing goods/services. In addition, procurement attended the Academic Affairs Retreat on August 14, 2018 and the Physical Plant Managerial Staff Meeting on September 11, 2018, reiterating the importance of adhering to the policy for compliance purposes. An email will again be distributed to the campus community by July 1, 2019, reminding everyone of the policy requirements. Procurement also has plans to attend the Administrative Assistant's Retreat, once scheduled, to stress the importance of adhering to University policies concerning procurement.

Person responsible: Jacqueline Collins, Director of Procurement

**Student Accounts Receivable**

**Finding 4**

**UMES had not established sufficient controls over student residency determinations and changes, certain non-cash credits, and financial aid awards recorded in student accounts.**

**Recommendation 4**

**We recommend that UMES**

- a. **ensure that initial student residency status determinations and status changes, as reflected on output reports, are reviewed and agreed to**

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

- supporting documentation, at least on a test basis, by independent supervisory personnel, and that such reviews are documented;**
- b. correct the student account records of the aforementioned four students to reflect the proper residency status and to ensure that future billings reflect the appropriate tuition charges;**
  - c. ensure that an independent verification of non-cash credit adjustments to source documents is performed, at least on a test basis; and**
  - d. ensure that the financial aid awards and related adjustments posted to student accounts are independently verified to appropriate supporting documentation and that the verifications are adequately documented.**

**University response**

The University of Maryland Eastern Shore concurs with all recommendations.

- a. Output reports have been developed and are currently in use in the Admissions, Graduate Studies, and Pharmacy. The reports are being reviewed and agreed to documentation on a test basis by an independent person in the department. In addition, standard operating procedures are being established for each department responsible for determining residency status. Finally, the campus-wide residency committee will be re-established by the Vice President for Enrollment and Student Experience to review petitions for residency changes.
- b. The residency status for three of the students noted in audit has been corrected to reflect out of state of billing and ensure that future billings reflect the appropriate tuition charge. One account could not be adjusted since the student left UMES after Spring 2016 and before the conclusion of the audit.
- c. Since the conclusion of the audit, independent verification of non-cash credit adjustments to source documents (on a test basis) have been assigned to an independent employee in the auxiliary area. Monthly reviews from September 2015 through the November 2018 have been performed and the reviews are considered current at this point.
- d. UMES will establish a monthly independent review process by someone independent of the financial aid award process.

**University update**

- a. A Residency Status Change Report has been created, tested, and verified for accuracy. This report will include students that have changed their initial residency status. Registrar staff will conduct audits of residency status changes quarterly. The Registrar staff will review a sample of the status changes for the particular review period. All results will be documented and



**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

discrepancies reported to the VP for Enrollment Management and Student Experience. Implementation of the report, and subsequent audit review process, will ensure the integrity of residency status changes.

The corrective action execution is currently in progress. We have already started pursuing the corrective action by creating the Residency Status Change Report. Integration of the corrective action, along with our other standard procedures, will commence September 2019.

Person Responsible: The Registrar's Office, Information Technology, and the Office of Admissions.

- b. This item is complete. Accounts were adjusted to reflect out of state billing in October 2017.
- c. This item is complete. Monthly reviews have been completed through April 2019.
- d. This item is complete. A documented verification process was implemented by the Office of Student Financial Aid in April 2019. Two support staff members have been selected to perform independent monthly reviews for quality assurance to ensure

**Finding 5**

**UMES' procedure for identifying and transferring delinquent student accounts to the State's Central Collection Unit (CCU) did not include an independent supervisory review to ensure adequate and timely follow-up on all such accounts.**

**Recommendation 5**

**We recommend that UMES**

- a. establish procedures requiring independent supervisory reviews to ensure that all required student accounts are referred to CCU in a timely manner (repeat);**
- b. not permit students with outstanding account balances to register for subsequent semesters unless the student qualifies for an exemption as specified in the Board of Regents' Policy (repeat).**

**University response**

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

- a. The University concurs with this recommendation. UMES has taken immediate steps to ensure independent review procedures are performed by the Comptroller who is not primarily responsible for referring accounts to CCU.
- b. The University concurs with this recommendation and will block students from registering for subsequent semesters unless they qualify for an exemption as specified in the Board of Regents policy.

**University update**

- a. The Comptroller began conducting an independent review of the Bursar's CCU submission in December 2018 to ensure student accounts were being referred to CCU in a timely manner. Using system generated output reports, a comparison of student account balances to the CCU file is performed to ensure all applicable accounts were included in the submission. A draft of the standard operating procedure will be submitted to the AVP for Financial Services by June 14, 2019 for review.
- b. The Comptroller's Office will continue its ongoing efforts to block students from registering for subsequent semesters unless their account qualifies for an exemption per the Board of Regents policy. A draft of the standard operating procedure will be submitted to the AVP for Financial Services by June 14, 2019 for review.

Person responsible: Bonita Byrd, Comptroller

**Cash Receipts**

**Finding 6**

**UMES had not reconciled its credit card and electronic collections records with the State's bank account to ensure their deposit since December 2016.**

**Recommendation 6**

**We recommend that UMES reconcile its record of credit card and electronic collections with the receipt of the funds by the STO, at least quarterly, as required.**

**University response**

The University of Maryland Eastern Shore concurs with this recommendation.

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

UMES has taken immediate steps to resolve this issue and is in the process of training a new employee to reconcile its records with credit card and electronic collections received by the State Treasury.

**University update**

The Comptroller's Office is in the process of catching up on outstanding reconciliations between Bank of America (BOA) and Kuali Financial System (KFS). Daily activity between Relational – Statewide Accounting and Reporting System (Rstars) and PeopleSoft is being reconciled weekly by the Account Clerk II with assistance and research being provided by the Bursar. A formal monthly bank reconciliation between the BOA Full Analysis Business Checking Summary and KFS is being performed by the Assistant Comptroller until a General Ledger Accountant is hired.

The reconciliations are expected to be current by July 31, 2019.

Person responsible: Bonita Byrd, Comptroller

**Information Systems Security and Control**

**Finding 7**

**The monitoring of the student administration system's security was not adequate because database security-related events were not logged, and certain key application security reports were either not generated or reviewed.**

**Recommendation 7**

**We recommend that, for its student administration system, UMES**

- a. log all significant database security events, including direct changes to critical database tables, and generate reports of this related database activity;**
- b. generate reports of changes to user account profiles and application security options; and**
- c. ensure that individuals independent of the related support functions perform regular documented reviews of aforementioned reports, including reports of user account profile changes.**

**University response**

The University of Maryland Eastern Shore concurs with all recommendations.

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

- a. UMES agrees with this finding. We have shared these specifics with the OLA. With guidance from the OLA, UMES will develop a procedure to monitor critical security/audit events for its student information system (SIS) database. The independently reviewed report will be stored in the imaging system for future reference.
- b. UMES will re-instate the procedure to regularly generate and review security reports. As before, the weekly reports will be stored in the imaging system along with the reviewer signoff. In addition, any follow up document will also be stored in imaging system.
  - 1. Additions/changes of SIS profiles,
  - 2. Changes to the SIS Security Options panel,
  - 3. Additions, changes and deletions related to permission lists, the assignment of permission lists to roles and the assignment of roles to profiles.
- c. UMES will ensure that individuals independent of the related support functions perform regular document reviews of the appropriate reports, including reports of user account profiles.

**University update**

UMES has significantly expanded the number and type of database events being monitored, logged and reported by using database log aggregation monitoring software. Utilizing the *USM IT Guide for Security Event Logging*, the Information Technology department is now monitoring, logging and reviewing all events related to server operating systems, the PeopleSoft application, and the PeopleSoft databases.

The database administrator will be alerted of all failed logins and changes made to the server operating system and PeopleSoft Application and database. Records will be logged of all changes and attempted changes to the target areas. The database administrator will review logs and alerts weekly. The logging and alert process has been configured and in place as May 10, 2019. Final testing is underway for specific reports to be generated by the alerts.

Persons responsible: Joe Smith, Interim Director of Information Technology and Elfatih Elshafie, Database Administrator

<p><b>Finding 8</b> <b>UMES lacked IDPS coverage for encrypted traffic entering the UMES network.</b></p>
---

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

**Recommendation 8**

**We recommend that UMES perform a documented review and assessment of its network security risks, and identify how IDPS and/or HIPS coverage should be best applied to its network, and, based on this assessment, implement such coverage as necessary.**

**University response**

The University concurs with this recommendation and has corrected the oversight in the HIPS configuration. HIPS is now properly enabled on all servers and configured to scan traffic.

**University update**

UMES corrected the oversight in December 2018 by making a change in the McAfee Host Intrusion Detection System (HIPS) configuration. McAfee HIPS is now properly enabled on all servers and configured to scan encrypted traffic.

Person responsible: Joe Smith, Interim Director of Information Technology

**Finding 9**

**UMES did not ensure that user access capabilities assigned to employees on its financial management systems were adequately restricted.**

**Recommendation 9**

**We recommend that UMES**

- a. restrict user access capabilities for critical functions to those employees who require such capabilities to perform their assigned job duties and in a manner that ensures a proper segregation of duties (repeat); and**
- b. periodically generate for review by department supervisors computer system security reports that include all users who are assigned access capabilities to perform critical functions in their respective departments, regardless of where the user is located, and pursue instances of improper access (repeat).**

**University response**

The University of Maryland Eastern Shore concurs with both recommendations.

- a. UMES is in the process of reviewing system users for the critical functions identified in the audit report for student information system and housing management system. Inappropriate users have already been identified and restricted in the Financial System. A standard operating procedure will be

**UNIVERSITY OF MARYLAND EASTERN SHORE  
UPDATE ON LEGISLATIVE AUDIT REPORT  
DECEMBER 2, 2013 TO JULY 16, 2017**

developed to ensure on a regular basis for appropriate access to ensure proper segregation of duties.

- b. UMES is in the process of developing a standard operating procedure, which includes review and certification by department supervisors, to minimize improper access and ensure employees have the appropriate access to perform critical functions in their respective departments.

**University update**

UMES implemented a standard operating procedure to review user access and critical data access to the application modules within the PeopleSoft System, the Quali Financial System, and Odyssey Housing Management System annually.

Access security reviews were completed by the lead manager within each area on May 8, 2019. Lead managers also reviewed access to critical data and pages within the applications for users within as well as outside their departments. The review will be conducted annually moving forward. Certifications are stored digitally for auditing purposes.

Persons responsible: Kenneth Gaston, Director of Administrative Computing



**BOARD OF REGENTS**

SUMMARY OF ITEM FOR ACTION,  
**INFORMATION** OR **DISCUSSION**

---

**TOPIC:** SB & Company, LLC. – Communication of Audit Strategy and Approach for the FYE 2019 Independent Audit of Financial Statements

**COMMITTEE:** Audit Committee

**DATE OF COMMITTEE MEETING:** June 12, 2019

**SUMMARY:**

Materials attached.

**FISCAL IMPACT:** none

**CHANCELLOR'S RECOMMENDATION:**

COMMITTEE ACTION: None

DATE:

---

BOARD ACTION: None.

DATE:

---

SUBMITTED BY: David Mosca

---

SB & COMPANY, LLC



Knowledge · Quality · Client Service

## Audit Strategy and Approach

June 12, 2019





# Engagement Team Leadership

- Graylin Smith, Client Service Partner
- Monique Booker, Engagement Partner
- Rick Williams, IT Risk Principal
- Venkanna Alkunta, Engagement Manager
- Dodge Balleras, IT Audit Manager

# Scope of Services



- Audit of the June 30, 2019, financial statements
- Single Audit testing at certain universities as part of the State of Maryland Single Audit Report
- Campus enrollment agreed-upon procedures reports
- Howard P. Rawlings Scholarship Programs agreed-upon procedures reports
- Bond offering agreed-upon procedures reports
- Report recommendations and observations noted during the audit and follow-up on prior year audit findings
- Year-round advice and consultation



# AUDIT APPROACH

Knowledge

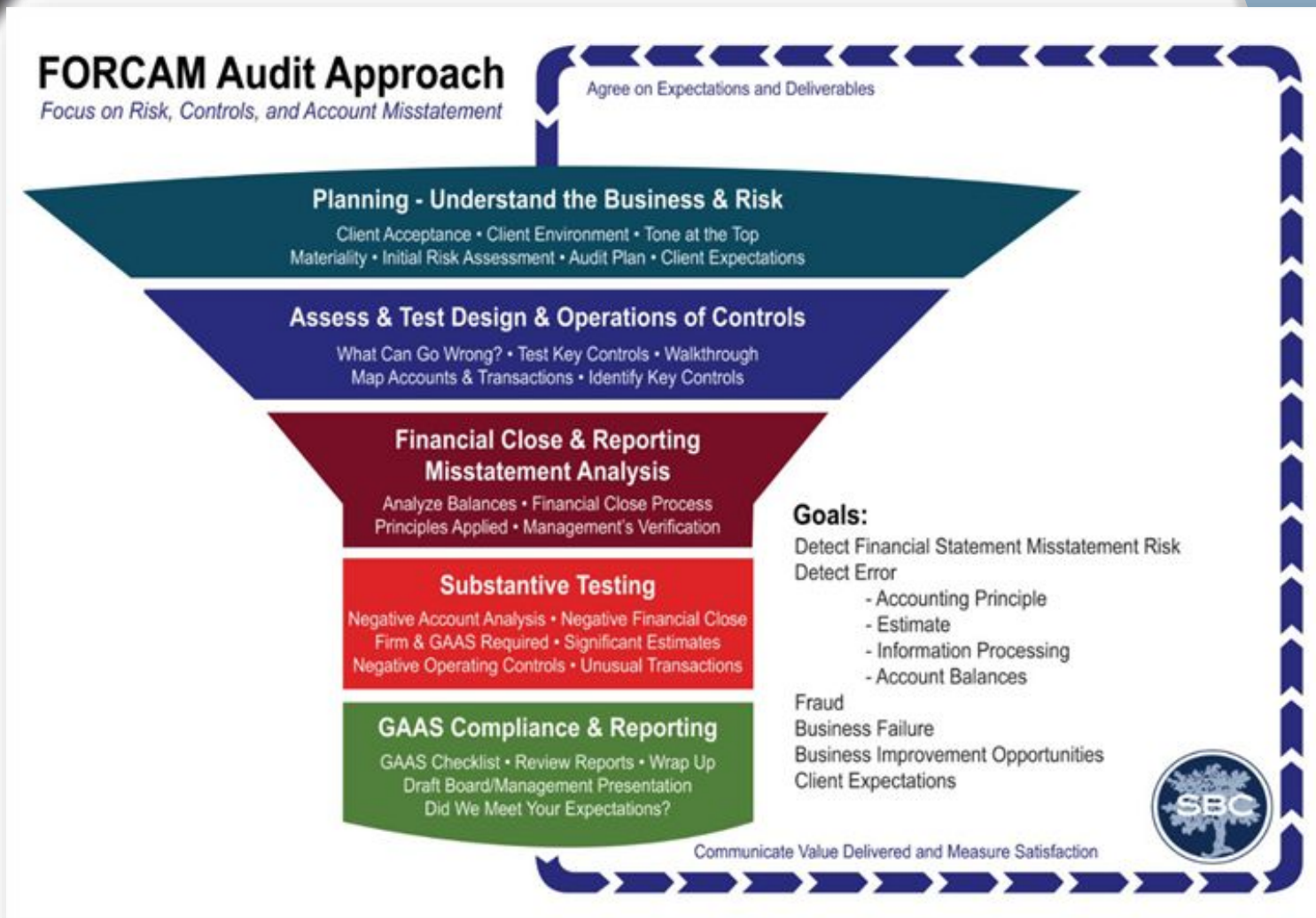
Quality

Client Service



# FORCAM Audit Approach

## “Focus on Risk, Controls and Misstatement”



Knowledge

Quality

Client Service



# Scope and Location of Testing

Institution	2018	2019 Scope of Work				2018 Totals	
	Scope	Audit	Review	Analytical	Single Audit	Assets	Operating Revenues and State Appropriations
University of Maryland, College Park	Audit		X		X	\$ 2,995,806,882	\$ 1,872,628,785
University of Maryland, Baltimore	Review	X			X	1,457,181,306	1,125,808,369
University of Maryland University College	Analytical	X			X	563,326,357	382,924,796
Towson University	Review	X			X	1,160,203,153	394,715,058
University of Maryland, Baltimore County	Audit			X		781,287,589	414,250,831
Salisbury University	Review	X			X	591,698,057	175,141,172
University of Baltimore	Audit		X			237,736,374	109,952,316
University of Maryland, Eastern Shore	Audit		X			237,491,610	100,781,825
Frostburg State University	Audit			X		207,812,203	100,070,066
Bowie State University	Analytical		X			381,407,951	104,739,639
University of Maryland Center for Environmental Science	Analytical			X		100,317,524	48,761,996
Coppin State University	Review			X		342,609,632	72,001,642
Headquarters (cash, investments, debt)	Audit	X				546,170,054	28,752,421
<b>Multi-year rotation of level of testing at each institution</b>							

	Audit	Review	Analytical	Total
Total Assets	\$ 5,006,304,712	\$ 3,551,692,148	\$ 1,045,051,832	\$ 9,603,048,692
Total Operating Revenues and State Appropriations	2,626,436,244	1,767,666,241	536,426,431	4,930,528,916



# Audit Approach

## 3 Levels of Institution Testing (Rotation)

- Audit
- Review
- Analytical

## Central Testing

- Cash & Endowment investments
- Debt
- Workers compensation
- Appropriations
- Investment income
- Net pension liability
- Deferred outflows/inflows of resources
- State appropriations
- Capital appropriations





# Audit Approach (continued)

## University-wide

- Accounts receivable and allowance for doubtful accounts
- Notes receivable and allowance for doubtful accounts
- Inventories
- Other investments
- Prepaid expenses and other
- Capital assets
- Accounts payable and accrued liabilities
- Accrued vacation
- Unearned revenues
- Tuition and Fees
- Scholarship allowances
- Gifts
- Auxiliary enterprises
- Federal grants and contracts
- State and local grants and contracts
- Nongovernmental grants and contracts
- Operating expenses



# Engagement Timing

April 2019	Planning meeting with System Headquarters
June – July 2019	Preliminary field work, including single audit walkthroughs and IT environment review
June – July 2019	Meet with management to discuss preliminary results
July – August 2019	Enrollment testing
September – October 2019	Final field work
October 2019	Exit conference with institutions regarding findings and recommendations
November 2019	Meet with Audit Committee to review Financial Statement draft and observations
December 2019	Audit Committee presentation on financial results
December 2019 – January 2020	Complete single audit testing and findings
March 2020	Audit Committee presentation on single audit results





# GASB 83 – Certain Asset Retirement Obligations (ARO)

- Effective for fiscal year 2019
- Establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs
- Requires that recognition occur when the liability is both incurred and reasonably estimable



# GASB 87 – Leases

- Effective for fiscal year 2021
- Requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract
- Requires lessee to recognize a lease liability and intangible right-to-use lease asset, and lessor to recognize a lease receivable and a deferred inflow of resources



## **GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements**

- Effective for fiscal year 2019
- Improves information disclosed in notes related to debt, including direct borrowings and direct placements and clarifies which liabilities governments should include when disclosing information related to debt
- Additional information includes: unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses



# Level of Testing by Scope

Level	Understand Control Environment	Understand Effectiveness of the Design of Controls	Testing Effectiveness of Key Controls	Understand Financial Close Process	Financial Misstatement Analysis	Substantive Testing	Evaluate General IT Controls	Evaluate Applications IT Controls
Audit	X	X	X	X	X	X	X	X
Review	X	X		X	X	X*		
Analytical				X	X			

\* Certain substantive testing for high risk/problem areas



# Assessment of Control Environment

Area	Points to Consider
Control Environment	<ul style="list-style-type: none"> <li>▪ Key executive integrity, ethics, and behavior</li> <li>▪ Control consciousness and operating style</li> <li>▪ Commitment to competence</li> <li>▪ Exercise oversight responsibility</li> <li>▪ Organizational structure, responsibility, and authority</li> <li>▪ Enforce accountability</li> <li>▪ HR policies and procedures</li> </ul>
Risk Assessment	<ul style="list-style-type: none"> <li>▪ Define objectives and risk tolerances</li> <li>▪ Identify, analyze, and respond to risk</li> <li>▪ Assess fraud risk</li> <li>▪ Identify, analyze, and respond to change</li> <li>▪ Mechanisms to anticipate, identify, and react to significant events</li> <li>▪ Processes and procedures to identify changes in GAAP, business practices, and internal control</li> </ul>
Control Activities	<ul style="list-style-type: none"> <li>▪ Design control activities</li> <li>▪ Design activities for the information system</li> <li>▪ Implement control activities</li> <li>▪ Existence of necessary policies and procedures</li> <li>▪ Clear financial objectives with active monitoring</li> <li>▪ Logical segregation of duties</li> <li>▪ Periodic comparisons of book-to-actual and physical count-to-books</li> <li>▪ Adequate safeguards of documents, records, and assets</li> <li>▪ Assess controls in place</li> </ul>



# Assessment of Control Environment

Area	Points to Consider
Information and Communication	<ul style="list-style-type: none"> <li>▪ Use quality information</li> <li>▪ Communicate internally</li> <li>▪ Communicate externally</li> <li>▪ Adequate performance reports produced from information systems</li> <li>▪ Information systems are connected with business strategy</li> <li>▪ Commitment of HR and finance to develop, test, and monitor IT systems and programs</li> <li>▪ Business continuity and disaster plan for IT</li> <li>▪ Established communication channels for employees to fulfill responsibilities</li> <li>▪ Adequate communication across organization</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>▪ Perform monitoring activities</li> <li>▪ Remediate deficiencies</li> <li>▪ Periodic evaluations of internal controls</li> <li>▪ Implementation of improvement recommendations</li> <li>▪ Internal Audit Function</li> </ul>



# Evaluation of Key Processes

Process	Function	A	B	C
Treasury	<ul style="list-style-type: none"> <li>▪ Cash Management</li> <li>▪ Investment Accounting</li> <li>▪ Investment Monitoring</li> <li>▪ Investment Valuation</li> <li>▪ Investment Policy</li> <li>▪ Reconciliation</li> <li>▪ Debt Accounting</li> <li>▪ Reconciliations</li> </ul>			
Estimation	<ul style="list-style-type: none"> <li>▪ Methodology</li> <li>▪ Information</li> <li>▪ Calculation</li> </ul>			
Financial Reporting	<ul style="list-style-type: none"> <li>▪ Accounting Principles and Disclosure</li> <li>▪ Closing the Books</li> <li>▪ Report Preparation</li> <li>▪ General Ledger and Journal Entry Processing</li> <li>▪ Verification and Review of Results</li> </ul>			
Purchase Cards/Travel and Entertainment Reimbursement	<ul style="list-style-type: none"> <li>▪ Card Issuance and Collection</li> <li>▪ Training</li> <li>▪ Purchase Accounting and Approval</li> <li>▪ Monitoring</li> <li>▪ Travel and Entertainment Reimbursement</li> </ul>			

<b>A</b>	Understand the Process
<b>B</b>	Walk-Through
<b>C</b>	What Can Go Wrong

Knowledge

Quality

Client Service





# Evaluation of Key Processes (continued)

Process	Function	A	B	C
Expenditures	<ul style="list-style-type: none"> <li>▪ Purchasing</li> <li>▪ Receiving</li> <li>▪ Accounts Payable and Cash Disbursement</li> </ul>			
Payroll	<ul style="list-style-type: none"> <li>▪ Hiring</li> <li>▪ Sensitive Data Control</li> <li>▪ Attendance Reporting</li> <li>▪ Payroll Accounting and Processing</li> <li>▪ Payroll Disbursements</li> <li>▪ Separation</li> <li>▪ Contract Management</li> </ul>			
Revenue	<ul style="list-style-type: none"> <li>▪ Registration</li> <li>▪ Tuition Revenue/Billings</li> <li>▪ Cash Receipts</li> <li>▪ Revenue Recognition</li> <li>▪ Recording period (cut off)</li> <li>▪ Donor Accounting</li> <li>▪ Endowment Accounting</li> </ul>			

<b>A</b>	Understand the Process
<b>B</b>	Walk-Through
<b>C</b>	What Can Go Wrong

Knowledge

Quality

Client Service





# Evaluation of Key Processes (continued)

Process	Function	A	B	C
Fixed Assets	<ul style="list-style-type: none"> <li>▪ Physical Custody</li> <li>▪ Asset Accounting</li> <li>▪ Depreciation</li> <li>▪ Retirement Obligations</li> <li>▪ Asset Retirement and Disposal</li> <li>▪ Project Management</li> </ul>			
Grant Compliance	<ul style="list-style-type: none"> <li>▪ Acceptance</li> <li>▪ Grant Oversight</li> <li>▪ Compliance</li> <li>▪ Reporting</li> <li>▪ Monitoring</li> <li>▪ Accounting</li> <li>▪ Billing and Collection</li> <li>▪ Grant Close Out</li> </ul>			

<b>A</b>	Understand the Process
<b>B</b>	Walk-Through
<b>C</b>	What Can Go Wrong

Knowledge

Quality

Client Service



# Evaluation of Key Processes (continued)

Process	Function	A	B	C
Information Technology	<ul style="list-style-type: none"> <li>▪ Physical Security and Environmental Controls</li> <li>▪ Logical Access to Data and Applications</li> <li>▪ Network Security – Financial Applications</li> <li>▪ Change and Incident management</li> <li>▪ Data backup, Recovery, and Retention</li> <li>▪ Encryption</li> <li>▪ Cyber Security Preparedness</li> <li>▪ System Development &amp; Deployment</li> <li>▪ System Operations</li> <li>▪ System Maintenance/Software Versions</li> <li>▪ Information Security Policy</li> <li>▪ Third-Party Processors</li> <li>▪ Program Changes</li> <li>▪ Data Conversion (System Migration)</li> <li>▪ Cloud Service Providers</li> <li>▪ Applications Controls Testing                             <ul style="list-style-type: none"> <li>▪ General Ledger/Financial Reporting</li> <li>▪ Tuition &amp; Fees</li> <li>▪ Expenditure</li> </ul> </li> </ul>			

<b>A</b>	Understand the Process
<b>B</b>	Walk-Through
<b>C</b>	What Can Go Wrong

Knowledge

Quality

Client Service



# Required Communications - Fraud



## Opportunity

- Generally provided through weaknesses in internal control
- Tone at the top is important
- We assess controls and tone at the top

## Pressure

- Pressure can be imposed due to economic troubles, personal vices and unrealistic deadlines and performance goals
- There are increased pressures due to economy and minimal salary increases

## Rationalization

- Individuals develop a justification for their fraudulent activities
- Increased rationalization due to minimal salary increases and less personnel



# Your Expectations of Us

Knowledge

Quality

Client Service



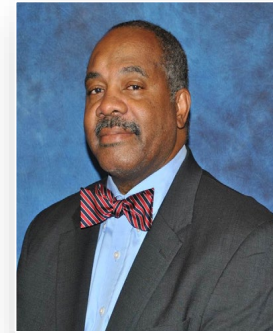
# Engagement Team Contact Information



Graylin (Gray) Smith  
**Client Service Partner**  
410.584.1401 Direct  
410.340.4515 Mobile  
410.252.1395 Home  
[gsmith@sbandcompany.com](mailto:gsmith@sbandcompany.com)



Monique Booker  
**Engagement Partner**  
410.584.1403 Direct  
443-804-6129 Mobile  
410-363-9203 Home  
[mbooker@sbandcompany.com](mailto:mbooker@sbandcompany.com)



Rick Williams  
**Principal of IT & Risk Management**  
410.584.2214 Direct  
443.562.9880 Mobile  
[rwilliams@sbandcompany.com](mailto:rwilliams@sbandcompany.com)



Venkanna Alkunta  
**Engagement Manager**  
410.584.1407 Direct  
402-850-3236 Mobile  
[valkunta@sbandcompany.com](mailto:valkunta@sbandcompany.com)



Dodge Balleras  
**IT Audit Manager**  
410.584.9308 Direct  
646-257-9891 Mobile  
[dballeras@sbandcompany.com](mailto:dballeras@sbandcompany.com)

Knowledge

Quality

Client Service



**Baltimore Office:**

200 International Circle  
Suite 5500  
Hunt Valley, Maryland 21030  
410.584.0060

**Washington, D.C. Office:**

1299 Pennsylvania Avenue, NW  
Suite 1120  
Washington, D.C. 20004  
202.803.2335

Knowledge

Quality

Client Service





**BOARD OF REGENTS**

SUMMARY OF ITEM FOR ACTION,  
INFORMATION OR DISCUSSION

---

**TOPIC:** Enterprise Risk and Crisis Management Statement of Intent

**COMMITTEE:** Audit

**DATE OF COMMITTEE MEETING:** June 12, 2019

**SUMMARY:** Every enterprise carries unique risks. With their student and residential populations and academic and research-related activities, institutions of higher education face many types of risks unlike those in other sectors. An enterprise risk management (ERM) approach in higher education can help institutions identify the risks of events and circumstances that could negatively impact the school’s ability to reach its goals. Importantly, as risk are realized, some of them can constitute a crisis that must be managed and communicated. Crisis Management (CM) and ERM support the achievement of an institution’s strategic goals

At the December Board of Regents (BOR) retreat, the BOR agreed that they would develop a policy on ERM and CM. This policy would demonstrate the importance of ERM and CM and guide the Chancellor and Presidents in their implementation of ERM and CM processes. As a first step in policy development, the Board can issue a Statement of Intent to highlight the important aspects of ERM and CM. The attached Statement of Intent on Enterprise Risk and Crisis Management is offered for the Board’s consideration

**ALTERNATIVE(S):** The Committee could choose to continue to work on the Statement of Intent.

**FISCAL IMPACT:** The fiscal impact would be the value of the time of university leadership and staff to develop the individual university enterprise risk and crisis management processes.

**CHANCELLOR’S RECOMMENDATION:** That the Audit Committee recommend approval of the Enterprise Risk and Crisis Management Statement of Intent.

---

COMMITTEE RECOMMENDATION:

DATE:

---

BOARD ACTION:

DATE:

---

SUBMITTED BY: Ellen Herbst (301) 445-1923

## Board of Regents' Statement of Intent on Enterprise Risk Management and Crisis Management

Every enterprise carries unique risks. With their student and residential populations and academic and research-related activities, institutions of higher education face many types of risks unlike those in other sectors. An enterprise risk management (ERM) approach in higher education can help institutions identify the risks of events and circumstances that could negatively impact the school's ability to reach its goals.

An ERM approach incorporates plans to identify risks, analyze the impact of those risks, and take steps to mitigate them. Additionally, pre-planning for crisis management enables a more timely and robust response when crises occur.

It is therefore the intention of the Board of Regents that:

1. The Board have a policy that:
  - a. Establishes the Board's commitment to ERM and Crisis Management (CM) as ongoing processes that identify, manage and communicate key risks as part of an integrated approach to achieving the strategic goals of each institution and the System as a whole;
  - b. defines roles and responsibilities for the Board, Chancellor and Presidents; and
  - c. sets expectations for Presidents, Chancellor and the Board that risks are properly identified, evaluated, managed and communicated at the proper level of the institution.
    - i. The identification of risks and opportunities, the development of action plans to manage the risks and maximize the opportunities, and the continual monitoring of risks are integral parts of the management and leadership of the institution.
2. The USM Develop and implement ERM practices:
  - a. Establish governance structure to support leadership engagement and to implement the process for risk assessment and mitigation;
  - b. Incorporate principles of ERM into the development of strategic initiatives and operational objectives;
  - c. Determine process for periodic review of risk portfolio and risk philosophy; and
  - d. Identify formal metrics or key performance indicators for evaluation of ERM program value.
3. The Roles and Responsibilities for ERM and CM are delegated as follows:
  - a. Board
    - i. Establish ERM and CM policy and make it a priority for institutions;
    - ii. Establish expectations for communication of potential crises;
    - iii. Provide oversight in risk monitoring –
      1. both on a recurring, regular basis (annually) as well as
      2. incorporating questions regarding risk in strategic and planning projects as these initiatives are brought to the Board; and
    - iv. Provide support to Chancellor and Institution Presidents.
  - b. Chancellor
    - i. Implement a sustained ERM effort by System Senior Administration;



- ii. Develop processes for regular communication of individual universities' risk profiles and specific risks, including mitigation strategies;
    - iii. Develop crisis leadership and management processes;
    - iv. Develop management and communication process for risks as they are realized (crisis communications); and
    - v. Develop a System-wide Enterprise Risk profile.
  - c. University Presidents
    - i. Engage Cabinet and key faculty to develop university-wide risk portfolio, including:
      - 1. identification of risks across the entire university;
      - 2. assessment of probability and impact of risks on institutional mission, strategic goals and reputation;
      - 3. institutional risk philosophy encompassing risk tolerance and risk opportunity;
      - 4. assignment of management responsibility for mitigation plans and execution, and communication strategies and processes; and
      - 5. monitoring identified risks, holding the risk owner accountable and consistently scanning for emerging risks.
- 4. Types of Risk to be considered
  - a. Reputational risks not separately identified in another category – public image (Examples: reputation and brand; community relations; external communications)
  - b. Safety and health of students, faculty and staff
  - c. Legal and regulatory compliance – laws and regulations (Examples: regulatory; legal; accreditation standards; intellectual property; institutional standards/policies concerning diversity and inclusion)
  - d. Athletics
  - e. Academic
    - i. Academic Performance
    - ii. Academic Integrity
  - f. Financial – safeguarding assets (Examples: funding and resource allocation; conflict of interest; budget; fraud; debt)
    - i. Financial integrity issues – waste, fraud or abuse
    - ii. Financial going concern issues
  - g. IT security
    - i. Data
    - ii. Key records
    - iii. Systems, networks
  - h. Strategic - goals of the organization (Examples: strategic plans; institutional mission; academic goals and objectives; crisis response and business continuity)
    - i. Business model
    - ii. Technological
- 5. Operational – processes that achieve goals (Examples: conduct of research; facilities infrastructure; safety and security; information technology; human resources; student
- 6. Example of Risk Portfolio

- a. Reputational risks not separately identified in another category
- b. Safety and health of students, faculty and staff
- c. Legal and regulatory
- d. Athletics
- e. Academic
  - i. Academic Performance
  - ii. Academic Integrity
- f. Financial
  - i. Financial integrity issues – waste, fraud or abuse
  - ii. Financial going concern issues
- g. IT security
  - i. Data
  - ii. Key records
  - iii. Systems, networks
- h. Strategic
  - i. Business model
  - ii. Technological
- i. Operational
- j. welfare; sustainability)

The System will develop a draft policy in accordance with shared governance principles and present the draft policy to the Board for consideration prior to 2019 year-end.



**BOARD OF REGENTS**

SUMMARY OF ITEM FOR ACTION,  
**INFORMATION** OR DISCUSSION

**TOPIC:** Board of Regents Policies Reviewed by the Committee on Audit During FY 2019

**COMMITTEE:** Audit Committee

**DATE OF COMMITTEE MEETING:** June 12, 2019

**The Following Policies/Bylaws were Reviewed By the Committee on Audit During FY 2019 which Will be Conveyed to the Full Board at its June 21, 2019 Meeting:**

1. Committee on Audit Charter – REVIEWED WITH NO CHANGES
2. Board of Regents Bylaws Section 3. Committee on Audit Charge – REVIEWED WITH NO CHANGES
3. Policy VIII-7.20 - Policy on External Audits – REVISED APRIL 2019

**FISCAL IMPACT:** None.

**CHANCELLOR’S RECOMMENDATION:** None

COMMITTEE	None	DATE:
ACTION:		
BOARD ACTION:	None	DATE:
SUBMITTED BY:	David Mosca	



**BOARD OF REGENTS**

SUMMARY OF ITEM FOR ACTION,  
**INFORMATION** OR **DISCUSSION**

**TOPIC:** Update of Office of Legislative Audit Activity

**COMMITTEE:** Audit Committee

**DATE OF COMMITTEE MEETING:** June 12, 2019

Since the Committee’s March 2019 meeting, the Office of Legislative Audits (OLA) has not published any reports on USM Institutions.

**OLA Engagements Currently Active:**

- Salisbury University;
- University of Maryland Center for Environmental Science;
- University of Maryland Baltimore County;
- University of Maryland College Park (IT/IS portion);
- University of Maryland Baltimore;
- University of Maryland University College;
- Coppin State University; and
- The University System of Maryland Office.

**FISCAL IMPACT:** none

**CHANCELLOR’S RECOMMENDATION:** none

COMMITTEE ACTION: None

DATE:

BOARD ACTION: None

DATE:

SUBMITTED BY: David Mosca



**BOARD OF REGENTS**

SUMMARY OF ITEM FOR ACTION,  
**INFORMATION** OR **DISCUSSION**

---

**TOPIC:** Follow up of Action Items from Prior Audit Committee Meetings

**COMMITTEE:** Audit Committee

**DATE OF COMMITTEE MEETING:** June 12, 2019

**SUMMARY:**

See Attachments:

Attachment A: Listing of Open Action Items From 2016 – 2019 Audit Committee Meetings.

Attachment B: Audit Committee Objectives Matrix.

**FISCAL IMPACT:** none

**CHANCELLOR’S RECOMMENDATION:** none

COMMITTEE ACTION: none

DATE:

BOARD ACTION: none

DATE:

SUBMITTED BY: David Mosca

---

USM Board of Regents  
 Action Items From 2016 - 2018 Audit Committee Meetings  
 12-Jun-19

Action Item

Status

**From March 2019 Audit Committee Meeting**

1.	Request UMES President to provide the committee with an update of their progress to address Office of Legislative Audit Findings	To occur in June 2019 Committee Meeting.
2.	Establish update process to monitor progress of correcting A133 Audit Findings/Recommendations	To occur in FY 2019 A133 Audit Cycle.
3.	TU should consider contracting a third-party to evaluate TU's work environment.	TU's President conveyed that she will build the utilization of a work "climate survey" into her plans for the future.
4.	Pass along to the BOR Intercollegiate Athletics (ICA) Workgroup that they should consider whether guidelines should be established for cost allocation practices and meeting the State's requirement that ICA programs be self supporting.	Conveyed to ICA Workgroup staff to include in an upcoming meeting.

**From October 2018 Audit Committee Meeting**

1.	Consider policy modification to require annual independent audit reports of Foundations' financial statements be made available to the BOR Audit Committee. Pertains to BOR Policy VIII-7.20 - Policy on External Audits.	Addressed in March 2019 Audit Committee meeting. Policy amended and approved by Board in its April 2019 meeting.
----	---	--

**From March 2016 Audit Committee Meeting**

1.	The BOR should develop interagency agreements policy.	Assigned to BOR's Committee on Finance to develop policy.
2.	The BOR should reassess BOR's policy related to barring enrollment to students with outstanding receivable balances.	Assigned to BOR's Committee on Finance to assess policy.

Note: Action items concluded prior to the March 2019 BOR Audit Committee meetings are not included in this schedule.

**USM BOR Audit Committee  
Annual Work Plan  
FY 2019**

Objective		When Performed Audit Committee Meetings					Completed
		Oct	Dec	Mar	June	As Needed	
<b>Authority</b>							
1	The Committee, with the approval of the Board, is empowered to retain outside counsel or persons having special competence as necessary to assist the Committee in fulfilling its responsibility.					x	N/A
2	Resolve any disagreements between the independent auditor and management.					x	N/A
<b>Composition of Committee Members</b>							
3	The Audit Committee shall comprise not less than 5 or more than 7 members. The majority of the members must be knowledgeable about financial matters.	x					x
<b>Meetings</b>							
4	Meet at least 4 times per year.	x	x	x	x		x
<b>Responsibilities</b>							
<b>Internal Audit</b>							
5	Review with the Director of Internal Audit progress of completing the annual plan of activity.	x	x	x	x		x
6	Review and approve internal audit's annual plan of activity.		x				x
7	Ensure that there are no unjustified restrictions or limitations on the internal audit department.	x	x	x	x		x
8	Review the effectiveness of the internal audit function.					x	
9	Meet separately with the Director of Internal Audit to discuss any matters that the committee or the Director of Internal Audit believes should be discussed privately.	x	x	x	x		x
<b>Independent Auditor</b>							
10	Review the external auditors' proposed audit scope and approach.				x		x
11	Review significant accounting and reporting issues and understand their impact on the financial statements.		x				x
12	Review with management and the external auditors the results of the audit, including any difficulties encountered.		x				x
13	Discuss the annual audited financial statements with management and the external auditors.		x				x
14	Discuss the scope of external auditors' review of internal control over financial reporting.		x				x

**USM BOR Audit Committee  
Annual Work Plan  
FY 2019**

Objective	When Performed Audit Committee Meetings					Completed
	Oct	Dec	Mar	June	As Needed	
15			x			x
16					x	x
17	x	x	x	x		x
<b>Financial Reporting</b>						
18	x	x				x
19		x				x
20						x
<b>Other</b>						
21	x	x	x	x	x	x
22				x		x
23					x	x
24	x	x	x	x		x
25	x	x	x			x
26						N/A





**BOARD OF REGENTS**

SUMMARY OF ITEM FOR **ACTION**,  
INFORMATION OR DISCUSSION

**TOPIC:** Convening Closed Session

**COMMITTEE:** Audit Committee

**DATE OF COMMITTEE MEETING:** June 12, 2019

**SUMMARY:**

The Open Meetings Act permits public bodies to close their meetings to the public in circumstances outlined in §3-305 of the Act and to carry out administrative functions exempted by §3-103 of the Act. The Committee on Audit will now vote to reconvene in closed session. The agenda for the public meeting today includes a written statement with a citation of the legal authority and reasons for closing the meeting and a listing of the topics to be discussed. The statement has been provided to the regents, it is posted on the USM’s website and copies are available here today.

**ALTERNATIVE(S):** No alternative is suggested.

**FISCAL IMPACT:** There is no fiscal impact.

**CHANCELLOR’S RECOMMENDATION:** The Chancellor recommends that the BOR Audit Committee vote to reconvene in closed session.

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE: 6-12-2019

SUBMITTED BY: David Mosca, 443.367.0035, dmosca@usmd.edu



STATEMENT REGARDING CLOSING A MEETING  
OF THE USM BOARD OF REGENTS

Date: June 12, 2019  
Time: 2:30 PM  
Location: Universities at Shady Grove

STATUTORY AUTHORITY TO CLOSE A SESSION

Md. Code, General Provisions Article §3-305(b):

- (1) To discuss:
  - [ ] (i) The appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; or
  - [ ] (ii) Any other personnel matter that affects one or more specific individuals.
- (2) [ ] To protect the privacy or reputation of individuals with respect to a matter that is not related to public business.
- (3) [ ] To consider the acquisition of real property for a public purpose and matters directly related thereto.
- (4) [ ] To consider a preliminary matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State.
- (5) [ ] To consider the investment of public funds.
- (6) [ ] To consider the marketing of public securities.
- (7) [ ] To consult with counsel to obtain legal advice on a legal matter.
- (8) [ ] To consult with staff, consultants, or other individuals about pending or potential litigation.
- (9) [ ] To conduct collective bargaining negotiations or consider matters that relate to the negotiations.

- (10)  To discuss public security, if the public body determines that public discussions would constitute a risk to the public or public security, including:
- (i) the deployment of fire and police services and staff; and
  - (ii) the development and implementation of emergency plans.
- (11)  To prepare, administer or grade a scholastic, licensing, or qualifying examination.
- (12)  To conduct or discuss an investigative proceeding on actual or possible criminal conduct.
- (13)  To comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.
- (14)  Before a contract is awarded or bids are opened, to discuss a matter directly related to a negotiation strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

Md. Code, General Provisions Article §3-103(a)(1)(i):

- Administrative Matters

TOPICS TO BE DISCUSSED:

Legislative audit matters that are ongoing and, therefore, confidential; discussion of investigative matters which may lead to criminal prosecution; calendar year 2019 internal audit plan of activity; and the committee meeting separately with the independent auditors and the director of internal audit.

REASON FOR CLOSING:

- 1) To maintain confidentiality of discussions of ongoing investigations by the USM Office of Internal Audit's and outside agencies, which potentially could result in criminal prosecutions (§3-305(b)(12));
- 2) To maintain the confidentiality of matters involved in ongoing legislative audits, as required by Section 2-1226 of the State Government Article of the Annotated Code of Maryland (§3-305(b)(13));
- 3) To carry out an administrative function: discussion of calendar year 2019 audit plan of activity by the USM Office of Internal Audit and (§ 3-103(a)(1)(i)); and
- 4) To carry out an administrative function: the Committee's separate meetings with the independent auditors and the Director of Internal Audit (§3-103(a)(1)(i)).