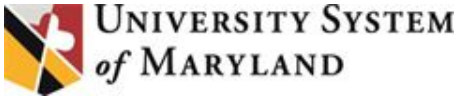


**UNIVERSITY SYSTEM OF MARYLAND
BOARD OF REGENTS - AUDIT COMMITTEE
MEETING AGENDA
October 30, 2019**

1. [Information & Discussion – FY 2020 Audit Committee Work Plan](#) Mr. Mosca
 2. [Action, Information & Discussion – Review of BOR Policies](#) Mr. Mosca
 - Committee on Audit Charter
 - Committee on Audit Bylaws
 3. [Action – Proposed Board of Regents Policy on Enterprise Risk Management](#) Ms. Herbst
 4. [Action – Proposed Board of Regents Policy on Crisis Management](#) Ms. Herbst
 5. [Information & Discussion – FYE 2019 - System Wide Draft Financials, Balance Sheet & Statement of Changes](#) (affiliated foundations are not included) Ms. Denson
Mr. Page
 6. [Information & Discussion – Completed Office of Legislative Audit Activity](#) Mr. Mosca
 7. [Information & Discussion – Follow up of Action Items from Prior Meetings](#) Mr. Mosca
 8. [Approval - Convene to Closed Session](#) Ms. Fish
-



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Information & Discussion – FY 2020 Audit Committee Work Plan

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2019

Attached is a schedule of the Audit Committee’s FY 2020 work plan. The objectives of the work plan are designed to assist the Audit Committee in fulfilling the requirements of its Charter and Bylaws. The schedule also identifies which objectives will be addressed at each of the four Audit Committee meetings throughout the year.

For FY 2020 and going forward, the board’s compliance with SB 719 – “...The board would also be required to review annual financial disclosure statements from chancellors and university presidents.”, and review of Board of Regent’s financial disclosure statements will be included in the annual work plans.

As new risks emerge, additions or modifications to the work plan will be made as needed.

Attachment

FISCAL IMPACT: none

CHANCELLOR’S RECOMMENDATION: none

COMMITTEE ACTION: None

DATE:

BOARD ACTION: None

DATE:

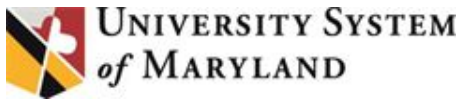
SUBMITTED BY: David Mosca

**USM BOR Audit Committee
Annual Work Plan
FY 2020**

Objective		When Performed				
		Audit Committee Meetings				
		Oct	Dec	Mar	June	As Needed
Authority						
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
2	Resolve any disagreements between the independent auditor and management.					x
Composition of Committee Members						
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				
Meetings						
4	Meet at least 4 times per year.	x	x	x	x	
Responsibilities						
Internal Audit						
5	Review with the Director of Internal Audit progress of completing the annual plan of activity.	x	x	x	x	
6	Review and approve internal audit's annual plan of activity.		x			
7	Ensure that there are no unjustified restrictions or limitations on the internal audit department.	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	
Independent Auditor						
10	Review the external auditors' proposed audit scope and approach.				x	
11	Review significant accounting and reporting issues and understand their impact on the financial statements.		x			
12	Review with management and the external auditors the results of the audit, including any difficulties encountered.		x			
13	Discuss the annual audited financial statements with management and the external auditors.		x			
14	Discuss the scope of external auditors' review of internal control over financial reporting.		x			

**USM BOR Audit Committee
Annual Work Plan
FY 2020**

Objective		When Performed				
		Audit Committee Meetings				
		Oct	Dec	Mar	June	As Needed
15	Discuss/review results of A-133 Single Audit			x		
16	Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.					x
17	Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.	x	x	x	x	
	Financial Reporting					
18	Review FYE Consolidated Financial Statements	x	x			
19	Review FYE Financial Dashboard Indicators		x			
20	Review 12/31/19 six month Financial Statements			x		
	Other					
21	Regularly report to the Board of Regents about Committee activities.					x
22	Confirm annually that all responsibilities outlined in the committee's charter have been carried out.				x	
23	Discuss with the Attorney General or representative, the status of legal matters that may have a significant impact on USM institution's financial statements.					x
24	Review legislative audits of the institutions of the University System and institutional responses thereto, and provide the Board with appropriate reports.	x	x	x	x	
25	Review policies pertaining to Audit Committee	x			x	x
26	Monitor the Board's observance of the State Ethics Code as it pertains to possible conflict of interest with matters of the University System of Maryland				x	
26	Review Presidents, Chancellor and Board of Regents annual financial disclosure forms. This is to comply with SB 719 form 2019 legislative session.	x		x	x	x



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Review of Board of Regent Policies

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2019

SUMMARY:

Attached are BOR Policies/Bylaws that pertain to the Board of Regents (BOR) Committee on Audit's charge. These are:

1. Committee on Audit Charter (Attachment A). Last revised December 21, 2016. See recommended modifications in red.
2. The Board of Regents Bylaws Section 3. Last reviewed October 16, 2017. Committee on Audit (Attachment B). See recommended modifications in red.

Procedures for Review of USM BOR Bylaws and Policy

BYLAWS:

1. The Committee on Organization and Compensation should review BOR bylaws on a 4-year cycle.
2. **Each BOR committee should conduct an annual review of their committee charge at the beginning of each fiscal year.**

BOR POLICIES:

1. All BOR policies should be reviewed on a 4-year cycle.
2. Each policy should be assigned to a BOR committee(s); assigned policies should be relevant to the committee's mission.
3. USM staff will assist BOR committees in developing a detailed 4-year policy review schedule that considers policies that are high priority and identifies policies that are primarily technical or administrative in nature or dictated by external requirements. **(Attachment C).**
4. Policy reviews should include an update of policies, as needed, as well as the elimination of unneeded policies and/or merger of policies.
5. Policies may be reviewed out of cycle if problems arise with the policy implementation or to implement best practices.
6. Each BOR committee should report annually at the end of each fiscal year to the BOR on the policies reviewed during the past 12 months.

attachments

FISCAL IMPACT: none

CHANCELLOR'S RECOMMENDATION:

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca

Attachment A

**University System of Maryland
Board of Regents Audit Committee
Audit Committee Charter
Revised - December 21, 2016**

PURPOSE

To assist the Board of Regents in fulfilling its responsibilities for overseeing the adequacy of and compliance with the internal controls, BOR Policies, risk management practices, investigative activity, governance processes, and to oversee the sufficiency and appropriateness of the financial reporting of the University System of Maryland.

AUTHORITY

The Audit Committee (Committee) is granted the authority to investigate any activity of the USM, and all employees are directed to cooperate as requested by members of the Committee. The Committee, with the approval of the Board, is empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. It is empowered to:

- Appoint, compensate and oversee the work of the Director of Internal Audit and the public accounting firm employed by the organization to conduct the annual audit. This firm and the Director of Internal Audit will report directly to the Audit Committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Retain independent accountants or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- Meet with USM officers, external auditors or outside counsel, as necessary.
- The committee may delegate authority to subcommittees, providing that decisions are presented to the full Committee at its next scheduled meeting.
- Review and approve the yearly internal audit plan and oversee the effectiveness of the internal audit function.

COMPOSITION

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 and have financial literacy as a whole. The Chairman of the Board of Regents shall appoint the members of the Audit Committee, and select the Audit Committee's Chair, to serve one year terms. A majority of members of the committee shall constitute a quorum.

MEETINGS

The Audit Committee is to meet at least four times each year, and as many more times as it deems necessary. All Committee members are expected to attend each meeting. As necessary or desirable, the chairman may request that members of management and the representatives of the independent auditor be present at meetings of the Committee.

RESPONSIBILITIES:

1. The Committee on Audit shall render advice and assistance to the Board of Regents in fulfilling its fiduciary responsibilities for overseeing the adequacy of and compliance with the internal controls, BOR Policies, risk management practices, investigative activity, governance processes, and to oversee the sufficiency and appropriateness of the financial reporting of the University System of Maryland.
2. This Committee shall review independent audit proposals including the scope of examination, services to be provided, reports to be rendered and fees to be charged, recommend to the Board the selection and scope of work of the independent external auditor of the University System of Maryland, review findings received there from and provide the Board with appropriate reports.
3. This Committee shall review legislative audits of the institutions of the University System and institutional responses thereto, and provide the Board with appropriate reports.
4. This Committee shall review and recommend to the Board the scope of the internal audit function. The Committee shall review the Charter of the Office of Internal Audit, its annual plan of work, its reports and administrative actions taken regarding its recommendations, and its annual report of significant audit items, and shall provide the Board with appropriate reports on the activities of that office. The Committee shall review the performance of the Director of Internal Audit and monitor the effectiveness of the internal audit function.
5. In fulfillment of these responsibilities this Committee shall foster direct communications with the external auditors on an annual basis or as otherwise deemed appropriate, and shall assure direct access from the Office of the Internal Audit, including meeting privately, at least on an annual basis, with the Director of Internal Audit.
6. This Committee shall monitor the Board's observance of the State Ethics Code as it pertains to possible conflict of interest with matters of the University System of Maryland.
7. **This Committee shall assist the Board in fulfilling its responsibility for SB 719 requirement to review financial disclosure statements from Chancellors and Presidents.**

Attachment B

Board of Regents Bylaws

Section 3. Committee on Audit.

A. The Committee on Audit shall have the following duties:

1. The Committee on Audit shall render advice and assistance to the Board of Regents in fulfilling its fiduciary responsibilities for overseeing adequacy of and compliance with the internal controls of the University System of Maryland and the sufficiency and appropriateness of its financial reporting.
2. This Committee shall review independent audit proposals including the scope of examination, services to be provided, reports to be rendered and fees to be charged, recommend to the Board the selection and scope of work of the independent external auditor of the University System of Maryland, review findings received there from and provide the Board with appropriate reports.
3. This Committee shall review legislative audits of the institutions of the University System and institutional responses thereto, and provide the Board with appropriate reports.
4. This Committee shall review and recommend to the Board the scope of the internal audit function. The Committee shall review the Charter of the Office of Internal Audit, its annual plan of work, its reports and administrative actions taken regarding its recommendations, and its annual report of significant audit items, and shall provide the Board with appropriate reports on the activities of that office.
5. In fulfillment of these responsibilities this Committee shall foster direct communications with the external auditors on an annual basis or as otherwise deemed appropriate, and shall assure direct access from the Office of the Internal Auditor, including meeting privately, at least on an annual basis, with the Director of Internal Audit.
6. This Committee shall monitor the Board's observance of the State Ethics Code as it pertains to possible conflict of interest with matters of the University System of Maryland.
7. **This Committee shall assist the Board in fulfilling its responsibility for SB 719 requirement to review financial disclosure statements from Chancellors and Presidents.**

Attachment C

USM BOR Policy Review Schedule
 Committee on Audit
 October 30, 2019

Policy Number	Policy Name	Last Updated	Last Reviewed	Next Committee Review Date
1-7.00	Policy on Public Ethics of Members of the Board of Regents	Aug-99	Oct-16	FY 2020
VIII-7.10	Policy on Reporting Suspected or Known Fiscal Irregularities	Jun-17	Jun-17	FY 2021
VIII-7.11	Policy on the Communication of Suspected Fraud, Unethical and Illegal Business Activity	Apr-10	Apr-17	FY 2021
VIII-7.20	Policy on External Audits	Jun-18	Jun-18	FY 2022
VIII-7.30	Policy on Responses to Legislative Audits	Jun-18	Jun-18	FY 2022
VIII-7.50	USM Office of Internal Audit Charter	Jun-18	Jun-19	FY 2020
Charter	Committee On Audit	Dec-16	Oct-18	FY 2020
Bylaws	Committee On Audit	unknown	Oct-18	FY 2020



TOPIC: Proposed Board of Regents Policy on Enterprise Risk Management

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2019

SUMMARY:

Management best practice requires that significant risks and exposures be identified, assessed with regard to impact and likelihood of occurrence, and addressed as appropriate in terms of prevention and mitigation strategies, in the context of risk tolerance at the institution (for an institution’s risk management process) and System level.

The proposed Policy on Enterprise Risk Management formalizes the expectation that each institution, regional higher education center, the System Office, develop processes to periodically identify, review and assess significant strategic, financial, operational and reputational risks. Furthermore, each entity shall adopt risk prevention and mitigation strategies, and periodically discuss those risks and the prevention or mitigation strategies with the Chancellor as a part of the annual presidential performance evaluation process.

The Chancellor shall develop a System-wide risk management process that complements and builds upon institutional risk management processes, in consultation with the Director of Internal Audit, and communicate and discuss those risks and the associated strategies with the Board of Regents at least annually.

Recognizing the effort and time required to establish a risk management process, institution presidents will not have to report institutional risks and mitigation or prevention strategies until the performance appraisal process in the Spring of 2021.

ALTERNATIVE(S): The Committee could suggest alternative language.

FISCAL IMPACT: Any fiscal impact is anticipated to be minimal.

CHANCELLOR’S RECOMMENDATION: That the Audit Committee recommend that the Board of Regents approve the proposed Board of Regents Policy on Enterprise Risk Management as presented.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca



10/21/2019 DRAFT

VIII-20.00 POLICY ON ENTERPRISE RISK MANAGEMENT

(Approved by the Board of Regents on , 2020)

I. PURPOSE

Best practices in effective governance at an institution and System-wide level, requires that management periodically assesses potential risks and exposures, evaluates the probability and the impact of each and where appropriate, adopts risk mitigation strategies. These processes should inform decisions and strategic planning, both within each institution, as well as at the System level.

This policy formalizes expectations of each University System of Maryland institution to establish an ongoing system of risk management appropriate to the institution's mission and strategic initiatives. The policy also sets periodic reporting expectations and processes for reporting key risk items.

II. ENTERPRISE RISK MANAGEMENT (ERM)

A. Institution-level ERM

Pursuant to this policy, each USM institution and regional higher education center, including the USM Office, is to adopt an enterprise risk management process. The process should be developed to assure that potentially significant and likely risk exposures have been identified and communicated to institutional leadership, and that plans to reduce the risk of occurrence, or mitigate the exposure have been developed.

Under the leadership of each institution's President, an institution-wide body, such as a campus cabinet or president's leadership team, is to identify and quantify risks, determine risk tolerances, and oversee risk mitigation strategies or measures where appropriate.

The enterprise risk management process must include an inventory, or register, of risks and exposures that are potentially significant in terms of both likelihood and impact that strategic interests and goals of the institution could be impacted. Each risk should have identified a responsible official or department which will monitor and adopt mitigation strategies as appropriate, and periodically report to the institution-wide body responsible for overseeing the risk management process. Risks are to be evaluated as to the potential impact, as well as the likelihood of occurrence.

Institutions are expected to adopt risk management practices suitable and appropriate to the institution's activities and goals. Tailoring risk management activities to the institution's focus and goals may result in similar institutions assessing the likelihood,

and the impact, of similarly described risks differently, with risk tolerance and mitigation strategies that reflect those differences. Each risk management process is to include the basic steps of:

Risk identification;
Risk assessment;
Risk tolerance, prevention and mitigation; and
Reporting,

the specific risks, determination as to impact and likelihood, and accordingly, prevention and mitigation strategies, are likely to vary from institution to institution. It is important that each cycle of assessment and evaluation of risks, impact and likelihood, also consider the identification of new and emerging risks.

This policy is not intended to require a specific risk identification, assessment, mitigation or reporting process and acknowledges that institution's may have different approaches and processes to address enterprise risk management.

B. System-wide

The Chancellor is to develop a risk management process for the University System of Maryland appropriate for a comprehensive state-wide university system, that identifies, assesses, mitigates and communicates System-wide risks and exposures, and complements risk management practices at each institution. The risk assessment is to be done in consultation with the Director of Internal Audit, vice chancellors, and institution presidents, and should represent a set of identified System-wide risks and exposures appropriate to System-wide planning and action.

A review and discussion of System-wide risks and exposures, the assessment of impact and likelihood, and strategies and efforts in place to address, prevent or mitigate System-wide risks is to be considered by the Board of Regents Committee on Audits at least annually.

III. REPORTING REQUIREMENTS

Institution Presidents are expected to communicate to the Chancellor that an institutional enterprise risk management process is in place and operationally functional, and review with the Chancellor, as a part of the presidential performance review process, the 3-5 risks assessed to be the most significant concerns to institutional leadership in terms of setting strategic goals and planning.

Institution Presidents, by March 31st annually, are to provide notification to the Chancellor that a review or update of the institution's risk assessment and management plan has been performed, and are to provide a listing of significant events that have occurred in the prior calendar year that were contemplated and planned for in the institution's risk management process.

IV. DEFINITIONS

Strategic risks – an event or activity, whether internal or external, that has the potential to negatively impact the institution’s ability to pursue its mission and/or achieve its key strategic goals and objectives. These risks include inadequate strategic planning and goal setting, crisis response and business continuity, reputation and brand, and community relations.

Financial risks – risks and exposures that are associated with inadequate financial planning, management and operational outcomes, including the budgeting and financial reporting processes, financial controls, debt management, endowment investing, and risk management and insurance provision.

Operational risks – risks and exposures that do not have an immediate financial impact but impact the core mission and objectives of the institution. Included here are risks to the academic enterprise such as academic quality, tenure and faculty promotion, accreditation, faculty recruitment, on-line learning, program development (including closures, new programs, and international programs). Weather events, power disruptions, and other potential events impacting availability of facilities, would be another group of operational risks, to the extent that those risks are both likely and significant in impact. Research activities and issues surrounding medical centers would also fall under the category of operational risks.

Reputational risks- risks and exposures that may harm education mission by casting doubt on commitments by campus leadership and negatively affecting the image of the University. Such risks may include claims of harassment and discrimination, waste and abuse, scholarly misconduct. Reputational risks may also be strategic, financial and operational risks depending on the nature and severity.

Risk mitigation-steps taken at the institution and System level to identify, assess and address and report on potential risks. Risk mitigation may include institution level threat and risk assessment team efforts, trainings, coordinated efforts across institutions to identify and mitigate risk.

Risk tolerance –ability or willingness by an institution or the System’s leadership to accept a certain level of likelihood that a particular risk exposure materializes. Risk tolerance is important in considering the possibilities for mitigating or eliminating particular risks and exposures, each of which are likely to carry an associated cost or set of requirements.



TOPIC: Proposed Board of Regents Policy on Crisis Management

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2019

SUMMARY:

Management best practice requires that leadership have a process for responding to events considered to be a crisis.

The proposed Policy on Crisis Management formalizes the expectation that each institution, regional higher education center, and the System Office, develop processes and protocols for responding to negative unanticipated events and that there be an organization-wide understanding of the response process or protocol.

Institution presidents are to notify the Chancellor that an institution crisis management process has been implemented, and is widely understood across the institution. The policy also requires that each institution president review crisis events and the response experienced by the institution over the past year with the Chancellor as a part of the annual presidential performance review process.

The Chancellor shall develop a System-wide crisis management process that complements and builds upon institutional crisis management processes and protocols, and ensure that institution presidents and leadership, as well as Board of Regents members, understand the process and protocols.

Recognizing the effort and time required to establish a crisis management process, institution presidents will have until Spring 2020 to establish a crisis management process, and will begin the required reporting under this policy during the performance appraisal process in the Spring of 2021.

ALTERNATIVE(S): The Committee could suggest alternative language.

FISCAL IMPACT: Any fiscal impact is anticipated to be minimal.

CHANCELLOR'S RECOMMENDATION: That the Audit Committee recommend that the Board of Regents approve the proposed Board of Regents Policy on Crisis Management as presented.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca



10/21/2019 DRAFT

VIII-21.00 POLICY ON CRISIS MANAGEMENT

(Approved by the Board of Regents on , 2020)

I. PURPOSE

Best practice in effective governance at both an institution and System-wide level, requires that management have a process for responding to events considered to be a crisis.

This policy formalizes expectations that each University System of Maryland institution and regional higher education center, including the System Office, and the chancellor on behalf of the University System generally, establish a process and set of protocols and steps for use in responding to events that each level considers a crisis, as defined below.

II. CRISIS MANAGEMENT

Each President shall develop protocols for use in responding to and communicating when a crisis arises. Board of Regents Policy VI-10.00 formalizes requirements associated with campus emergency planning, preparedness, and response. An emergency, depending on the impact and exposure, operationally, in terms of public safety, and reputationally, may also be considered a crisis within the meaning of this policy and require additional coordination and consultation, public communication, and response and recovery.

A crisis is defined as:

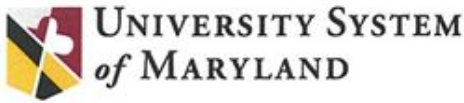
1. A negative event that was unanticipated and for which plans had not been formulated,
2. A negative event that had been planned for, but happened at a rate or pace unanticipated,
or
3. A confluence of events anticipated and planned for individually, but not in combination.

The University System Office will provide guidance to support each President developing a crisis management process for their university appropriate for that university, that, at minimum, includes clear reporting and escalation, response structure and team roles, and crisis communications. Care should be taken to ensure that crisis communications considers and includes students, faculty, staff, and other identified institution and System interested parties. Once a crisis management process has been developed by an institution, periodic testing of the process in response to a potential crisis should be carried out to ensure that all involved at an institution in crisis management understand roles, protocols, and processes. The process should be reviewed and refined after any actual crisis event, if appropriate, to improve institutional responses and communications.

In the event of a crisis, immediate notification to the Chancellor and the Vice Chancellor for Communications is to happen as soon as is practical under the circumstances, even if all the facts and considerations are not yet known. The Chancellor will communicate with the Chair of the Board of Regents to provide an understanding of the event or emergency, the current institution or System response, and to consult on the communication strategy as appropriate.

III. REPORTING REQUIREMENTS

Institution Presidents are expected to communicate to the Chancellor that an institution level crisis management process has been established and is understood, and reviewed with the Chancellor, as a part of the presidential performance review process, any negative events and emergencies at the institution level that fall within the definition of crisis above that occurred in the prior calendar year.



TOPIC: FY 2019 Preliminary USM Financial Statements

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2019

SUMMARY:

A brief review of the unaudited preliminary University System of Maryland basic financial statements for the year ended June 30, 2019.

The sheet titled 'Financial Snapshot' summarizes the System's key financial health ratio used by rating agencies, Available Resources to Debt Outstanding, using the figures reflected in the preliminary financial statements, to provide a comparison between June 30, 2019 and 2018. The second part of the Financial Snapshot adjusts the publically reported balances to take into consideration Board-approved claims and authorizations not yet expended or reflected in the financial statements to arrive at a 'true' financial health ratio for internal management and decision-making purposes. It also conforms to the ratio used for managerial decision making in the BOR Policy VIII-12.00 Policy on Debt Management.

A set of key points in reviewing the System's preliminary financial statements is included.

The financial statements reflect the preliminary financial position and the results of operations of the University System of Maryland for the years ended June 30, 2019 and 2018 prepared on an accrual basis of accounting. The final, audited financial statements for the University System of Maryland will be available in early December, and will include the auditor's opinion (System officials anticipate a 'clean' or unqualified opinion at this point) all appropriate note disclosures, a section containing management's discussion and analysis, the financial statements of the affiliated foundations, and supplementary financial statements for each of the USM institutions.

FISCAL IMPACT: Information item

CHANCELLOR'S RECOMMENDATION: Information item

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca

UNIVERSITY SYSTEM OF MARYLAND
BALANCE SHEETS
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,552,186,538	\$ 2,333,139,133
Accounts receivable, net	295,439,263	292,311,191
Notes receivable, current portion, net	5,345,066	6,521,332
Inventories	9,464,301	9,216,939
Prepaid expenses and other	20,758,341	18,440,579
Total current assets	2,883,193,509	2,659,629,174
Noncurrent assets:		
Restricted cash and cash equivalents	157,124,871	95,885,066
Endowment investments	364,140,586	328,770,327 E
Other investments	22,144,370	16,813,151
Notes receivable, net	29,984,838	36,687,107
Capital assets, net	6,630,025,225	6,465,263,867
Total noncurrent assets	7,203,419,890	6,943,419,518
Total assets	10,086,613,399	9,603,048,692
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refundings of debt	14,196,040	16,987,930
Asset retirement obligations	12,404,568	
Deferred changes in pension expense	537,030,657	469,773,028 D
Total assets and deferred outflows of resources	\$ 10,650,244,664	\$ 10,089,809,650
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 313,630,844	\$ 268,551,512
Accrued workers' compensation, current portion	4,309,950	4,405,800
Accrued vacation costs, current portion	111,785,925	105,995,954
Revenue bonds and notes payable, current portion	100,892,101	97,913,227
Obligations under capital lease agreements, current portion	1,652,537	1,548,767
Unearned revenues	318,662,589	278,896,782
Total current liabilities	850,933,946	757,312,042
Noncurrent liabilities:		
Accrued workers' compensation	24,423,050	24,966,200
Accrued vacation costs	115,722,833	109,544,405
Revenue bonds and notes payable	1,198,123,983	1,182,297,867
Obligations under capital lease agreements	2,844,822	4,497,360
Net pension liability	1,309,998,345	1,130,058,957 D
Total noncurrent liabilities	2,651,113,033	2,451,364,789
Total liabilities	3,502,046,979	3,208,676,831
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	270,575,431	288,931,472
Deferred financing inflow, pension liability	126,115,718	123,312,342 D
Total deferred inflows of resources	396,691,149	412,243,814
NET POSITION		
Unrestricted	1,291,908,203	1,238,497,382 B
Net investment in capital assets	5,218,999,015	4,998,212,194 C
Restricted:		
Nonexpendable:		
Scholarships and fellowships	16,858,054	16,541,068
Research	5,461,934	5,024,979
Other	16,922,872	16,872,175
Expendable		
Scholarships and fellowships	38,433,466	36,949,109
Research	78,706,352	76,936,727
Loans	49,234,447	50,552,708
Capital projects	6,799,771	2,284,150
Other	28,182,422	27,018,513
Total net position	6,751,506,536	6,468,889,005 A
Total liabilities, deferred inflows of resources and net position	\$ 10,650,244,664	\$ 10,089,809,650

UNIVERSITY OF SYSTEM OF MARYLAND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
OPERATING REVENUES:				
Tuition and fees	\$ 1,742,567,318		\$ 1,710,962,609	
Less: scholarship allowances	(338,154,602)	\$ 1,404,412,716	(322,828,367)	\$ 1,388,134,242
Federal grants and contracts		785,626,017		717,304,312
State and local grants and contracts		210,355,708		210,117,713
Nongovernmental grants and contracts		255,868,778		229,646,315
Sales and services of educational departments		337,560,431		328,787,009
Auxiliary enterprises:				
Residential facilities	204,234,018		197,159,431	
Less: scholarship allowances	(11,275,093)	192,958,925	(11,583,970)	185,575,461
Dining facilities	137,630,194		131,941,768	
Less: scholarship allowances	(6,327,041)	131,303,153	(5,830,948)	126,110,820
Intercollegiate athletics	140,759,174		137,466,663	
Less: scholarship allowances	(6,350,369)	134,408,805	(6,237,079)	131,229,584
Bookstore	15,689,421		16,695,599	
Less: scholarship allowances	(1,475,404)	14,214,017	(1,587,569)	15,108,030
Parking facilities	44,278,604		43,666,133	
Less: scholarship allowances	(141,414)	44,137,190	(139,226)	43,526,907
Other auxiliary enterprises revenues	155,616,925		150,706,520	
Less: scholarship allowances	(35,507)	155,581,418	(29,142)	150,677,378
Other operating revenues		82,031,729		75,666,057
Total operating revenues		3,748,458,687		3,601,883,828
OPERATING EXPENSES:				
Instruction		1,374,638,715		1,341,989,472
Research		1,139,051,866		1,048,328,939
Public service		164,647,278		162,474,866
Academic support		485,278,173		467,594,558
Student services		293,172,052		268,680,489
Institutional support		559,647,846		531,306,794
Operation and maintenance of plant		400,276,464		373,714,746
Scholarships and fellowships		120,607,680		120,668,204
Auxiliary enterprises:				
Residential facilities		180,250,467		170,631,162
Dining facilities		123,133,350		119,195,039
Intercollegiate athletics		145,785,727		125,176,052
Bookstore		16,393,630		17,948,686
Parking facilities		35,977,002		32,884,807
Other auxiliary enterprises expenses		141,285,627		127,136,782
Hospital		224,593,511		211,215,158
Total operating expenses		5,404,719,388		5,118,945,734
Operating loss		(1,656,260,501)		(1,517,061,906)
NONOPERATING REVENUES (EXPENSES)				
State appropriations		1,398,073,778		1,328,645,088
Pell grants		167,702,482		162,894,822
Gifts		48,647,832		63,976,147
Investment income	80,677,254		69,665,122	
Less: investment expense	(1,263,921)	79,413,333	(1,054,520)	68,610,602
Interest on indebtedness		(42,633,576)		(41,485,749)
Other revenues, (expenses), gains and (losses)		14,177,307		8,157,291
Total nonoperating revenues		1,665,381,156		1,590,798,201
Income before other revenues		9,120,655		73,736,295
OTHER REVENUES:				
Capital appropriations		244,478,467		228,607,790
Capital gifts and grants		28,307,336		35,240,920
Additions to permanent endowments		711,073		813,099
Total other revenues		273,496,876		264,661,809
Increase in net position		282,617,531		338,398,104
Net position - beginning of year		6,468,889,005		6,130,490,901
Net position - end of year		\$ 6,751,506,536		\$ 6,468,889,005



**UNIVERSITY SYSTEM
of MARYLAND**
Financial Snapshot
As of June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
From the June 30, 2019 (preliminary) and 2018 audited financial statements:		
USM unrestricted net position	\$ 1,291,908,203	\$ 1,238,497,382
Unfunded pension amounts	899,083,406	783,598,271
Accrued leave balances	227,508,758	215,540,359
Affiliated foundations unrestricted net assets	<u>157,682,929</u>	<u>145,876,086</u>
Available funds, unadjusted	<u>\$ 2,576,183,296</u>	<u>\$ 2,383,512,098</u>
Debt outstanding, unadjusted	\$ 1,303,513,443	\$ 1,286,257,221
Ratio of available resources to debt outstanding, unadjusted	198%	185% G
 Claims against the available resources not reflected in financial statements:		
Available funds per financial statements (above)	\$ 2,576,183,296	\$ 2,383,512,098
Cash-funded capital projects not fully spent at June 30,	(342,575,955)	(258,622,512)
Future years cash-funded capital projects committed but not yet authorized	(212,361,000)	(197,250,000)
Noncapital cash-funded projects not yet authorized	<u>(73,909,631)</u>	<u>(89,321,699)</u>
Available funds, adjusted	<u>\$ 1,947,336,710</u>	<u>\$ 1,838,317,887</u>
Debt outstanding per financial statements (above)	\$ 1,303,513,443	\$ 1,286,257,221
Revenue bond-funded projects authorized but debt not yet issued	<u>167,679,138</u>	<u>168,041,595</u>
Debt outstanding, adjusted	<u>\$ 1,471,192,581</u>	<u>\$ 1,454,298,816</u>
Ratio of available resources to debt outstanding, adjusted	132%	126% H

While rating agencies base their assessments based on financial statement balances, the System manages the ratio of available funds to debt outstanding to not fall below 1:1 ratio to ensure that financial health does not fall below medians for Aa1 rating category.



**UNIVERSITY SYSTEM
of MARYLAND**
**Preliminary Financial Statements
Years ended June 30, 2019 and 2018**

Key points associated with FY 2019 preliminary financial statements:

1. The total net position increase of \$283M (**A on page 1**) is comprised of an increase of \$53M in unrestricted net position (**B on page 1**), \$221M increase in net invested in capital assets (**C on page 1**) and \$9M increase in restricted net position.
2. The increase in unrestricted net position reflects an increase from operating activities of more than \$225M offset by cash-funded spending on capital projects of \$172M.
3. The following institutions report the largest increases in unrestricted net position: UMB \$5M, UMCP \$8.7M, and TU \$11.9M.
4. Based on the preliminary evaluation, all institutions, except for UMES, have met the President's Fund Balance Goal for FY19. The fund balance goal was an increase of 1% of unrestricted spending.
5. Endowment investments increase of \$35M (**E on page 1**) is the result of the creation of a \$25M quasi endowment at UMCP to serve as matching funds for the Clark Promise Fund and a 7% investment return.
6. Operating expenses have increased \$286M (**F on page 2**) or 6% over the prior year. Salaries and wages increased \$132M as a result statewide raises; payments to vendors increased \$132M and depreciation increased \$22M.
7. The net pension liability for FY19 and FY18 is \$1,309M and \$1,130M, respectively (**D on page 1**). The net pension liability for the System increased 16% despite the 3% decrease in the net pension liability of the State-wide Pension Plan. The net impact of pension related adjustments not including required contributions is an additional expense of \$115M in FY19 compared to \$81M in FY18.
8. As shown on the 'Financial Snapshot' (**page 3**), the financial statements report an improvement in the key Balance Sheet strength ratio used by the rating agencies. Balance Sheet strength, defined as the ratio of 'available resources' (USM unrestricted net position + unfunded pension amounts + accrued leave liability + affiliated foundation unrestricted net assets) to debt outstanding, increased from 185% at June 30, 2018 to 198% at June 30, 2019 (**G on page 3**). Adjusting for Board-approved commitments and authorizations to spend not yet reflected in the financial statements, FY19 resulted in an increase in overall in 'true' financial standing, with the ratio of available resources to debt outstanding on an adjusted basis, improving to 132% from 126% in FY18 (**H on page 3**).



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: October 30, 2019

Since the Committee's June 2019 meeting, the Office of Legislative Audits (OLA) published its reports of:

- University of Maryland Center for Environmental Science (Attachment A)
- Coppin State University (Attachment B)
- University System of Maryland Office (Attachment C)
- University of Maryland, Baltimore (Attachment D)

OLA Engagements Currently Active:

- Salisbury University
- University of Maryland Baltimore County
- University of Maryland College Park (IT/IS portion)
- University of Maryland University College

FISCAL IMPACT: none

CHANCELLOR'S RECOMMENDATION: none

COMMITTEE ACTION: None

DATE:

BOARD ACTION: None

DATE:

SUBMITTED BY: David Mosca

Attachment A

Summary Analysis of Findings in OLA's Report of UMCES

On June 14, 2019, the Office of Legislative Audits (OLA) issued its report of their audit of UMCES. OLA notes one finding, of which a portion is classified as a repeat. UMCES has conveyed that the repeat condition was the result of employee turnover, which has subsequently been resolved. OLA has accepted UMCES' response. OLA did not audit IT/IS security. The finding is summarized as follows:

Finding 1 – Grants: OLA identifies three deficiencies in UMCES' delinquent grant receivables collections.

- Improve timeliness of initial payment requests and subsequent written demands of past due accounts. (repeat portion).
- Ensure written payment demands include required language notifying the debtor of possible interest and other charges and referral to the State's Central Collections Unit (CCU) for untimely payment.
- Discontinue writing off delinquent grants receivable without approval from CCU. OLA makes particular note of a \$67K grant receivable dating back to 2011 which was never billed but written off (total write-offs noted by OLA were \$88K).

Attachment B

Summary Analysis of Findings in OLA's Report of CSU

On September 23, 2019, the Office of Legislative Audit's (OLA) issued its final report along with the agency's response to its audit of CSU. There are six total findings, one of which pertains to IT/IS Security and two are identified as repeat findings. CSU disagrees with a portion of finding number 2 pertaining to the verification of financial aid data. OLA accepted CSU's response while reaffirming their position where CSU disagreed with the report finding.

The findings are summarized as follows:

Finding 1: Student Accounts – OLA states that CSU needs to independently review residency status changes (out of state to in state) to verify that they are appropriate. (Repeat finding)

Finding 2: Student Financial Aid – OLA states that CSU needs to independently review adjustments made to financial aid award amounts, cost of attendance budgets and financial aid application data. Without this verification, errors or irregularities in financial awards and calculations may go undetected. CSU disagrees with the portion of this finding pertaining to verification of financial aid, as an outside firm performs this task. OLA maintains that the extent of the verifications performed by the outside firm are not adequate. (Repeat finding).

Finding 3: Institutional Financial Aid Awards – OLA states that CSU needs to establish written eligibility criteria for the award of certain institutional need-based financial aid. OLA also notes that student tuition remission was not properly considered when determining eligibility for financial aid.

Finding 4: Purchasing – OLA identifies an inadequate segregation of duties in which two employees both initiated and approved purchase orders totaling \$11.5 million without independent or supervisory review.

Finding 5: Employee Termination Payments – OLA notes termination payments totaling \$308K to three former employees that were not consistent with BOR Policy. [This may be form over substance as OLA differentiates forced resignation from involuntary terminations.]

Finding 6: IT/IS Security Findings - OLA states that controls over the protections of personally identifiable information (PII) were inadequate. OLA identified 120,964 SSNs along with names, dates of birth and addresses stored in one of CSU's databases which were not encrypted.

Attachment C

Summary Analysis of Findings in OLA's Report of USMO

On September 20, 2019, the Office of Legislative Audit (OLA) issued its final report along with the agency's response to its audit of the University System of Maryland Office (USMO). There are three total findings, one of which pertains to IT/IS Security and is classified as a repeat. OLA accepted USMO's response as acceptable actions to resolve the reported findings with implementation expected to be finalized in the spring of 2020.

The findings are summarized as follows:

Finding 1: Centers and Institutes – OLA reports that the system office should ensure that each institution develops and files policies and procedures for the establishment and monitoring of its Centers and Institutes. OLA also recommends that the system office maintain a full listing of current Centers and Institutes. (A "Center" or "Institute" generally refers to an organized, non-departmental unit. These are mechanisms for organizing faculty and staff from different disciplines to focus on teaching, research, and/or service in an area of common interest.)

Finding 2: Interagency Agreements – OLA reports that the System Office needs to establish policy which would govern acceptable uses of Interagency Agreements between USM institutions and other State agencies.

Finding 3: IT/IS Security - OLA reports that Malware Protection for USMO's computers is insufficient. Exceptions noted include:

- Malware protection and software was not up-to-date or was not installed on several (33) servers. (repeat)
- Some servers (10) and workstations (4) were running outdated software versions, which are known to have software vulnerabilities or are no longer supported by the vendor.
- Some users/employees have access (administrative rights) to certain applications that are not necessary for their jobs. (repeat)

Attachment D

Summary Analysis of Findings in OLA's Report of UMB

On July 10, 2019, the Office of Legislative Audit (OLA) issued its final report along with the agency's response to its audit of the University of Maryland, Baltimore UMB). OLA reports two findings and one is classified as a repeat. None are IT/IS security related. OLA accepted UMB's response as acceptable actions to resolve the reported findings.

Finding 1: Student Financial Aid – OLA notes that manual adjustments increasing financial aid award amounts were not independently reviewed, and documentation supporting adjustments was not always available. The repeat aspect of this finding is that system output reports were not generated for independent supervisory reviews of the manual adjustments posted to student accounts.

Finding 2: Disbursements – OLA notes a lack of segregation of duties over certain disbursements such as honorariums and stipends. Currently, two employees have responsibilities or access over manually approving disbursement request forms, system access capabilities to release transactions to the State's General Accounting Division (GAD) for payment, authorization to certify corresponding transmittal letters and invoices submitted to GAD, and system access to add new vendors to the disbursement system. While no inappropriate transactions were identified, the two employees could process unauthorized disbursements without detection.



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: October 30, 2019

SUMMARY:

See Attachments:

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

Attachment B: Discussion of Internal Audit’s Review of Presidents and Chancellor’s Financial Disclosure Statements to comply with Senate Bill 719.

Attachment C: Summarized Review of State Ethics Commission Financial Disclosures – USM Presidents and Chancellor

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 - 2019 Audit Committee Meetings
 30-Oct-19

Action Item

Status

From June 2019 Audit Committee Meeting

1.	From the Enterprise Risk Management Workgroup Report. Requested that updates be provided regarding the policy developmnet initiatives for Enterprise Risk Management and Crisis Management	Policies seeking approval from the Committee is included in October 2019 meeting.
2.	Seek approval from BOR to delegate responsibilty for SB 719 requirements to annually review financial disclosure statements from Presidents and Chancellors. Also, include Regents in the annual review process.	Approval made at the June BOR Meeting.
3.	Update Audit Committee Charter to include responsibility to assist the BOR in meeting SB 719 requirements.	Update of Charter and Bylaws is included in October 2019 meeting. Seeking approval from the Committee
4.	Consider having Internal Audit submit an annual affirmation statement of no conflicts or potential conflicts of interests exist relating to Presidents and Chancellors financial disclosure statement.	To further discuss at October 2019 meeting.
5.	Provide Committee with updates pertaining to two investigations into potential criminal activity.	Included in Committee's October 2019 meeting closed session.

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	Completed 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.	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.	Concluded for Audit Committee. Conveyed to ICA Workgroup staff and discussed in August 2019 Workgroup 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 June 2019 BOR Audit Committee meetings are not included in this schedule.

ATTACHMENT B

University System of Maryland
Board or Regents Committee on Audit
Senate Bill 719 – Review of Presidents and Chancellor Financial Disclosure
Update/Discussion of Implementation
October 30, 2019

Background:

During the Board of Regents (BOR) June 2019 meeting, the Board approved the following actions pertaining to the implementation of SB 719's section that states: "...The board would also be required to review annual financial disclosure statements from chancellors and university presidents.":

1. The BOR formally delegated responsibility to ensure compliance with SB 719 to the Committee on Audit; and
2. The BOR should include review of the Regents' financial disclosure statements.

Based upon this approval, the Committee on Audit is to take the following steps to initiate implementation.

1. Update the Committee on Audit's Bylaws and Charter to reflect its responsibility for ensuring oversight of SB 719.
2. Embed oversight of SB 719 into the Committee's annual work plan.
3. Assign responsibility to the Office of Internal Audit to perform the reviews of financial disclosure statements and provide the Committee and the full Board with results annually.
4. Determine timelines for completion to match expectations of the General Assembly. Current law requires disclosures to be completed by April 30th, for the preceding calendar year. Consider requiring disclosure statements be completed earlier so that results may be timely reported.
5. Complete a review of CY 2018 financial disclosure statements prior to the conclusion of 2020's legislative session.
6. Annually reassess policies and procedures to refine the process.

Update:

During the summer/fall 2019, USM's Director of Internal Audit reviewed each Presidents and the Chancellor's financial disclosure statement (see attachment C). The review did not identify any inappropriate disclosures but there are some questions for the Committee members to consider. These include gifts, holding Board positions that do business with the State, outside income/interests and related employment.

Summary of Financial Disclosure Sections

Schedule A: Real Property

You must disclose:

1. Property owned directly, both commercial and residential
2. Property leased or rented as a tenant, both commercial and residential
3. A place of residence without formal agreement, if you provided any monetary contributions to the household
4. Property owned jointly or through a partnership, limited liability partnership, or limited company in which you held an interest

Schedule B: Securities

You must disclose:

1. Shares of stock you own directly or as a part of an Individual Retirement Account (IRA), including a Roth IRA
2. Bonds issued by corporate entities
3. Mutual funds and exchange-traded funds (ETFs), ONLY IF they consist primarily of holdings and stock interests in a specific sector regulated by your governmental unit

Schedule C: Ownership in Business Entities

You must disclose ownership in a:

1. Corporation
2. Partnership
3. Limited liability partnership (LLP) (Limited Liability Partnership)
4. Limited liability company (LLC) (Limited Liability Company)
5. Sole proprietorship

Schedule D: Gifts

You must disclose gifts with a value of more than \$20, or multiple gifts from the same donor if the gifts had a cumulative value of \$100 or more. Include gifts from:

1. A regulated lobbyist;
2. An entity engaged in activity regulated or controlled by the State;
3. An entity that otherwise did business with the State

Schedule E: Debts and Liabilities

You must disclose:

1. Debts you owe to entities, if they did business by sales, purchases, contract or lease of at least \$5,000 with your governmental unit during the reporting period.
 - Typical debts to report are installment loans, mortgages, car loans or other time-fixed liabilities owed to financial institutions such as banks, credit unions, mortgage companies and similar entities
 - Other reportable debts could include those owed to other entities, including merchants, contractors, etc.
2. Debts you owe to entities if the entity was regulated by your governmental unit *Example: Department of Labor, Licensing, and Regulation (DLLR) filers must disclose mortgages owed to financial institutions regulated by the Commissioner of Financial Regulation as that Office is within DLLR.*
3. Debts you owe to regulated lobbyists
4. Debts your spouse owes, ONLY IF you were involved in the transaction that gave rise to the debt
5. Debts your dependent children owe, ONLY IF you were involved in the transaction that gave rise to the debt

Schedule F: Employment and Offices Held

You must disclose:

1. Any outside employment where you earned a salary, WHETHER OR NOT your employer did business with the State
2. Any unsalaried positions you held, such as an officer or director of a for-profit or not-for-profit organization, but ONLY IF the entity did business with the State

Schedule G: Spouse

You must report each place of salaried employment held by your spouse during the reporting period, whether or not your spouse's employer did business with the State. You must also report unsalaried offices, directorships, or similar positions for your spouse with any entity that did business with the State. You must also report any solely or partially owned business from which your spouse earned income.

Lobbying Disclosure: If your spouse was a regulated lobbyist with the State during the reporting period, you must also identify each client that engaged your spouse for lobbying purposes.

Schedule H: Dependent Children

You must report each place of salaried employment held by your dependent children during the reporting period, subject to the conditions below. You must also report unsalaried offices, directorships, or similar positions for your dependent children with any entity that did business

with the State. You must also report any solely or partially owned business from which your children earned income.

The statement may not include a minor child's employment or business interests unless the employment or business interests are with:

1. The State;
2. An entity regulated by your governmental unit;
3. An entity that has contracts in excess of \$10,000 with your governmental unit

Schedule X: Other

Schedule X is an optional schedule if you have other interests or transactions that have not been disclosed on the previous schedules and which you feel should be disclosed. This is also the chance to add more explanation or clarification to any of your responses on other schedules.

If you served as a member of a State board or commission during the reporting period, please list the name of that board or commission.

**The University System of Maryland
Office of Internal Audit
Summarized Review of State Ethics Commission Financial Disclosures - USM Presidents and Chancellor
Calendar Year 2018**

		Disclosure Sections								
		A	B	C	D	E	F	G	H	X
		Property - Mortgage	Securities	Business Ownership	Gifts	Debts & Liabilities	Employment and Offices Held	Spouse	Dependent Children	Other
Dr. Aminta H. Breaux		Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	Y
Dr. Kim Schatzel		Y	Y	N/A	Y**	N/A	Y	Y	Y*	N/A
Dr. Mickey Burnim		Y	Y	N/A	Y	N/A	N/A	N/A	N/A	N/A
Dr. Evelyn Thompson		Y	N/A	N/A	N/A	Y	N/A	N/A	N/A	N/A
Dr. Ronald Nowaczyk		Y	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
Dr. Charles Wight		Y	Y	Y	N/A	Y	N/A	Y	N/A	N/A
Hon. Kurt Schmoke		Y	Y	N/A	N/A	Y	N/A	Y	N/A	N/A
Dr. Jay Perman		Y	N/A	N/A	Y	Y	Y	N/A	Y	N/A
Dr. Freeman Hrabowski		Y	Y	N/A	N/A	Y	Y	Y	N/A	Y
Dr. Wallace Loh		Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Heidi Anderson		Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Javier Miyares		Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Peter Goodwin		Y	Y	N/A	N/A	N/A	Y	Y	N/A	Y
Dr. Robert L. Caret		Y	N/A	Y	N/A	Y	N/A	N/A	N/A	Y

Y = Included a Disclosure(s)
N/A = No Disclosure was Made

Y* = Daughter is a Graduate Assistant (part-time contingent employee) who is also a full-time graduate student at TU.
Y** - The President has conveyed that the reported gifts were not received by lobbyists or controlled donors.

Auditor's Note - There were no inappropriate conflicts of interests or inappropriate disclosures identified in any of the forms reviewed.
Auditor's Note 2 - There are no sections I - W in the Financial Disclosure Form



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Convening Closed Session

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 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: 10-30-2019

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



STATEMENT REGARDING CLOSING A MEETING
OF THE USM BOARD OF REGENTS

Date: October 30, 2019
Time: 10:00 AM
Location: Universities System of Maryland Office

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)).
- 5) To maintain confidentiality of discussions of matters involving the procurement and award of a contract for independent audit services (§3-305(b)(14)).