



**UNIVERSITY SYSTEM OF MARYLAND
BOARD OF REGENTS - AUDIT COMMITTEE
OPEN MEETING AGENDA**

March 27, 2023

- | | |
|--|----------------------------|
| 1. Information & Discussion - USM's Half Year (12/31/2022) Financial Statements & Financial Comparison Analysis to Peer Institutions | Ms. Denson
Ms. Herbst |
| 2. Information & Discussion – Annual Affiliated Foundation Compliance Report | Ms. Denson |
| 3. Information & Discussion - CliftonLarsonAllen LLP, Update Regarding FYE 2022 A-133 Single Audit and MHEC Reporting | Ms. Bowman |
| 4. Information & Discussion – Update from the Enterprise Risk and Crisis Management Work Group | Ms. Herbst
Mr. Eismeier |
| 5. Information - Office of Legislative Audit Activity – Published Audit Reports | Mr. Mosca |
| 6. Information & Discussion - Follow up of Action Items from Previous Meetings | Mr. Mosca |
| 7. Approval - Convene to Closed Session | Ms. Fish |
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TOPIC: Information – Interim Financial Statements

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: March 27, 2023

SUMMARY:

Attached is a set of ***unaudited University System of Maryland interim financial statements for the six-month period ended December 31, 2022, the year ended June 30, 2022, and the six-month period ended December 31, 2021.***

A set of key points to consider in reviewing the interim financial statements is provided to help focus the user on the information most relevant in understanding the System’s financial health.

Also included are the following reports and analyses:

‘Trend in transfer of student accounts receivable to state central collections unit for periods June 30, 2020, June 30, 2021, June 30, 2022, and December 31, 2022’ – an institutional history of accounts receivable transferred to the state’s central collection unit in accordance with statute, and

‘Public College & University Financial Ratio Comparison on June 30, 2022’ – a comparison of key financial ratios for universities and university systems with a Aa1 rating from Moody’s Investor Services.

ALTERNATIVE(S): This is an information item.

FISCAL IMPACT: This is an information item.

CHANCELLOR’S RECOMMENDATION: Information item

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923



**University System of Maryland
Interim Financial Statements**
**Six-month period ended December 31, 2022, fiscal year ended June 30, 2022, and
six-month period ended December 31, 2021**

Points to consider:

1. Per the USM Statement of Net Position (or Balance Sheet) on page 3, **unrestricted net position** shows a \$289M increase from June 30, 2022 levels, growing from \$1,286M to \$1,575M. As a point of comparison, the interim financial statements as of December 31, 2021 showed an increase for the first six months of fiscal year 2022 of \$162M.
2. Since March 2020, the institutions have been awarded \$574M in HEERF/CARES Act Funding (Higher Education Emergency Relief Funds). The overall status of spending (revenue recognized to date) of those funds and funds remaining to be used as of December 31, 2022, is as follows:

HEERF Program (in millions)	Funds Awarded	Revenue to date	Remaining to be spent
Student Aid	\$209M	\$206M	\$3M
Institutional	251M	241M	10M
HBCUs/Minority Serving Institutions	114M	93M	21M
Total	\$574M	\$540M	\$34M

The Department of Education has extended the performance period for all open HEERF grants to June 30, 2023. Of the \$34M remaining to be spent, \$25M is attributable to the HBCU's.

3. Operating revenues for the six months ended December 31, 2022, increased \$45M compared to December 31, 2021. Operating revenues for the six-month period ended December 31, 2021, compared to December 31, 2020, increased \$339M of which \$153M was attributable to increases in Federal grants.
4. The System was required to implement GASB Statement No. 87, Leases as of June 30, 2022. Lease obligations under the new accounting rule as of December 31, 2022 are \$158M, compared to \$101M as of June 30, 2022. Lease receivables, another part of the new accounting rule, are \$35M as of December 31, 2022, compared to \$60M as of June 30, 2022.
5. Cash spending on System and Board approved capital projects for the six months ended December 31, 2022 totaled \$32.8M, compared to \$30.7M for the six-month period ended

December 31, 2021. Significant cash spending on capital projects through December 31, 2022 was reported by the following institutions: UMB - \$10M, UMCP - \$15M, BSU - \$2M, TU - \$2M, and UMBC - \$2M. As of December 31, 2022, there remains a total of \$179M in cash-funded projects authorized and approved that are remaining to be spent, representing a claim against **unrestricted net position**.

6. Investment income for the period ending December 31, 2022 is \$30M compared to \$26M and \$29M for the periods ending June 30, 2022 and December 31, 2021, respectively. Investment income is comprised primarily of investment income earned on cash held by the State Treasurer and investment returns earned on endowments.

Investment returns on the USM Foundation managed investments associated with the System's pool of endowment funds called the Common Trust Fund for the six months ended December 31, 2022, was 0.24%, compared to 2% and 7% for the year ended June 30, 2022 and six months ended December 31, 2021, respectively.

Investment returns on cash held by the state treasurer as of December 31, 2022, was 2.44% compared to 0.49% for June 30, 2022 and 0.30% for the period December 31, 2021.

7. Page 7, Operating Expenses by Object report shows an increase in expenses of \$214M or 7% from December 31, 2021. \$57M of the increase is attributable to research activities.
8. Page 8 is the report of 'Transfers of Accounts Receivable to the State's Central Collection Unit'. The benchmark for Student accounts receivable collections is a rate of less than 1%. The student accounts receivable collection rates for UMES and UMGC are at 1% or greater.
9. Page 9 is the report of Public College & University Financial Ratios as of June 30, 2022, a comparison of key balance sheet and financing metrics with other public universities with the same bond rating. The University System of Maryland continues to maintain its strong Aa1 rating, resulting in low financing costs reflected in the effective interest rate, thanks to a strong financial position and leadership. USM is joined by 13 other public universities.

The effective interest rate on debt outstanding for USM is 2.81%, the fourth lowest amongst peers with the same bond rating. The effective interest rates for other public universities with the same bond rating ranges up to 4.41%, with the median and average rate being 3.25% and 3.30%, respectively.

University System of Maryland
Statements of Net Position
December 31, 2022, June 30, 2022, and December 31, 2021

	December 31, 2022	June 30, 2022	December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	\$3,307,071,501	\$3,043,519,564	\$3,053,556,505
Accounts receivable, net	933,048,520	349,952,225	872,770,884
Notes receivable, current portion, net	2,655,891	4,351,323	2,684,960
Leases receivable, net	10,739,512	12,935,917	4,206,067
Inventories	9,424,843	9,194,059	8,982,835
Prepaid expenses and other	18,226,290	20,132,560	28,573,557
Total current assets	4,281,166,557	3,440,085,648	3,970,774,808
Noncurrent assets:			
Restricted cash and cash equivalents	61,188,297	88,154,401	57,498,998
Endowment investments	433,607,986	434,364,389	469,626,770
Other investments	42,587,981	40,831,935	41,875,135
Leases receivable, net	23,814,797	47,513,791	-
Notes receivable, net	11,966,186	12,193,043	18,395,093
Capital assets, net	7,346,451,999	7,326,736,884	7,184,845,896
Total noncurrent assets	7,919,617,246	7,949,794,443	7,772,241,892
Total assets	12,200,783,803	11,389,880,091	11,743,016,700
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refundings of debt	6,034,722	6,034,722	9,376,625
Asset retirement obligations	11,741,954	11,741,954	12,276,398
Deferred changes, pension expense	380,707,864	380,707,864	373,714,162
Total deferred outflows of resources	398,484,540	398,484,540	395,367,185
Total assets and deferred outflows of resources	\$12,599,268,343	\$11,788,364,631	\$12,138,383,885
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$339,408,850	\$410,362,411	\$314,767,719
Accrued workers' compensation, current portion	4,522,350	4,522,350	4,794,150
Accrued vacation costs, current portion	130,627,686	130,262,070	129,356,193
Revenue bonds and notes payable, current portion	96,388,483	96,971,293	91,448,978
Lease obligations, current portion	82,138,039	17,732,713	6,907,004
Unearned revenue	1,136,749,471	519,855,439	1,119,156,719
Total current liabilities	1,789,834,879	1,179,706,276	1,666,430,763
Noncurrent liabilities:			
Accrued workers' compensation	25,626,650	25,626,650	27,166,850
Accrued vacation costs	180,972,083	181,624,240	176,068,088
Revenue bonds and notes payable	1,249,091,384	1,254,836,154	1,219,824,104
Lease obligations	76,103,395	83,383,979	83,516,543
Net pension liability	977,354,142	977,354,142	1,395,144,942
Noncurrent liabilities	2,509,147,654	2,522,825,165	2,901,720,527
Total liabilities	4,298,982,533	3,702,531,441	4,568,151,290
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement receipts	256,793,128	266,747,515	224,685,328
Deferred inflows from lease arrangements	33,076,949	58,909,984	4,976,164
Deferred changes, pension expense	546,879,512	546,879,512	78,780,716
Total deferred inflows of resources	836,749,589	872,537,011	308,442,208

UNAUDITED

**University System of Maryland
Statements of Net Position
December 31, 2022, June 30, 2022, and December 31, 2021**

	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
NET POSITION			
Unrestricted net position	1,575,454,657	1,285,983,924	1,350,004,342
Net investment in capital assets	5,654,344,313	5,696,432,526	5,582,265,707
Restricted:			
Nonexpendable:			
Scholarships and fellowships	21,267,637	21,267,637	20,763,690
Research	7,636,377	7,636,377	7,636,377
Other	16,928,309	16,928,309	16,927,805
Expendable:			
Scholarships and fellowships	46,347,411	46,686,730	53,596,850
Research	71,771,113	71,756,398	158,638,764
Loans	28,673,376	27,800,658	34,146,771
Capital projects	6,836,529	4,633,279	127,168
Other	34,276,499	34,170,341	37,682,913
Total net position	<u>7,463,536,221</u>	<u>7,213,296,179</u>	<u>7,261,790,387</u>
Total liabilities, deferred inflows of resources and net position	<u>\$12,599,268,343</u>	<u>\$11,788,364,631</u>	<u>\$12,138,383,885</u>

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University System of Maryland
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months Ended December 31, 2022, Year Ended June 30, 2022 and Six Months Ended December 31, 2021

	Six Months Ended December 31, 2022	Year Ended June 30, 2022	Six Months Ended December 31, 2021
OPERATING REVENUES			
Tuition and fees	\$859,553,541	\$1,364,074,593	\$837,425,986
Federal grants and contracts	432,742,655	871,536,573	521,883,616
State and local grants and contracts	133,826,566	232,407,684	91,361,293
Nongovernmental grants and contracts	147,725,159	278,725,575	126,547,207
Sales and services of educational departments	197,833,270	400,319,333	195,293,836
Auxiliary enterprises:			
Residential facilities	109,785,081	186,986,265	95,467,591
Dining facilities	76,211,472	122,535,054	66,857,034
Intercollegiate athletics	55,889,443	130,238,642	55,288,010
Bookstore	6,759,983	23,665,211	8,615,835
Parking facilities	23,756,255	36,983,179	22,899,560
Other auxiliary enterprises revenues	85,035,334	155,431,491	79,721,089
Other operating revenues	52,896,317	64,933,123	35,342,818
Total operating revenues	2,182,015,076	3,867,836,723	2,136,703,875
OPERATING EXPENSES			
Instruction	718,135,498	1,469,203,096	688,938,239
Research	581,641,926	1,117,448,187	524,335,093
Public service	280,069,965	571,068,805	291,993,113
Academic support	288,298,431	535,209,518	256,247,373
Student services	153,735,762	329,216,282	143,160,452
Institutional support	325,266,951	618,297,026	309,402,155
Operation and maintenance of plant	225,209,367	411,381,014	201,816,301
Scholarships and fellowships	269,234,079	225,089,117	280,607,398
Auxiliary enterprises:			
Residential Facilities	101,976,444	187,999,542	85,004,287
Dining Facilities	72,109,977	126,247,532	59,481,346
Intercollegiate athletics	82,255,605	155,492,122	70,226,086
Bookstore	8,702,209	14,417,486	7,977,469
Parking Facilities	12,392,712	25,308,991	11,067,358
Other auxiliary enterprises expenses	85,695,550	141,174,657	60,075,558
Total operating expenses	3,204,724,476	5,927,553,375	2,990,332,228
Operating income	(1,022,709,400)	(2,059,716,652)	(853,628,353)

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University System of Maryland
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months Ended December 31, 2022, Year Ended June 30, 2022 and Six Months Ended December 31, 2021

	Six Months Ended December 31, 2022	Year Ended June 30, 2022	Six Months Ended December 31, 2021
NONOPERATING REVENUES (EXPENSES)			
State appropriations	1,014,820,760	1,574,884,395	737,118,450
Pell grants	87,490,469	167,701,242	108,528,577
Other nonoperating grants	28,055,366	269,784,264	147,505,420
Gifts	27,030,423	53,354,623	29,105,387
Investment income (loss)	30,114,606	26,289,922	33,553,027
Less: Investment expense	(1,771,876)	(1,505,288)	-
Interest on indebtedness	(25,539,519)	(39,248,619)	(24,432,582)
Other revenues (expenses) gains (losses)	(1,365,943)	5,735,208	2,077,399
Total nonoperating revenue (expenses)	1,158,834,286	2,056,995,747	1,033,455,678
Income before other revenues (expenses)	136,124,886	(2,720,905)	179,827,325
OTHER REVENUES (EXPENSES)			
Capital appropriations	113,331,308	179,148,592	76,426,567
Capital gifts and grants	783,848	41,469,786	10,642,241
Additions to permanent endowments	-	2,900,873	2,396,421
Total other revenues (expenses)	114,115,156	223,519,251	89,465,229
Increase in net position	250,240,042	220,798,346	269,292,554
Net position, beginning	7,213,296,179	6,992,497,833	6,992,497,833
Net position, ending	\$7,463,536,221	\$7,213,296,179	\$7,261,790,387

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University System of Maryland
Trend in Transfers of Accounts Receivables to State Central Collection Unit
For Period ending June 30, 2020 through December 31, 2022
(dollars in thousands)

<u>Operational performance indicators</u>	UMB	UMCP	BSU	TU	UMES	FSU	CSU	UB	SU	UMGC	UMBC
Student accounts receivable collection rate:											
Average - five-and 1/2 year ended December 31, 2022											
Net transfers to CCU	216	1,555	578	942	595	301	16	393	440	6,079	1,228
Gross billings	205,789	814,371	75,361	256,141	47,766	176,368	21,794	55,161	120,679	357,910	202,934
Ratio	0.10%	0.19%	0.77%	0.37%	1.25%	0.17%	0.08%	0.71%	0.36%	1.70%	0.61%
Student accounts receivable collection rate:											
Average - five-years ended June 30, 2022											
Net transfers to CCU	210	1,416	633	843	677	293	0	389	449	5,560	917
Gross billings	205,378	805,007	74,383	253,027	44,550	184,989	22,102	55,590	121,345	357,889	199,151
Ratio	0.10%	0.18%	0.85%	0.33%	1.52%	0.16%	0.00%	0.70%	0.37%	1.55%	0.46%
Student accounts receivable collection rate:											
Average - five-years ended June 30, 2021											
Net transfers to CCU	173	1,508	593	879	1,198	328	56	529	407	6,538	905
Gross billings	176,408	785,935	70,572	277,080	48,409	150,485	23,332	63,791	123,563	353,636	195,608
Ratio	0.10%	0.19%	0.84%	0.32%	2.48%	0.22%	0.24%	0.83%	0.33%	1.85%	0.46%
Student accounts receivable collection rate:											
Average - five-years ended June 30, 2020											
Net transfers to CCU	110	1,447	376	908	1,309	193	89	626	318	6,893	925
Gross billings	169,310	775,874	68,990	276,825	53,752	117,494	24,621	60,113	124,699	343,512	204,579
Ratio	0.07%	0.19%	0.54%	0.33%	2.43%	0.16%	0.36%	1.04%	0.26%	2.01%	0.45%

Audit Committee Meeting - Open Session



Public College & University Financial Ratio Comparison
Moody's Aa1 Rating Category

June 30, 2022*

Institution	Total Debt	Unrestricted Net Assets	Primary Reserve Ratio	Debt Service	Operating Expenses	Operating Expense Leverage	Market Value of Endowment	Number of Students ^{1,2}	Total FTE ^{1,2}	Endowment per Student	Endowment per FTE	Effective Interest Rate	Increase in Unrestricted Net Assets		
													FY2022	FY2021	FY2020
University System of Maryland	\$ 1,446,889,417	\$ 1,285,983,924	88.88%	\$ 153,413,289	\$ 5,927,553,375	2.59%	\$ 1,964,981,000	106,785	89,051	\$ 18,401	\$ 22,066	2.81%	Y	N	N
North Carolina State University at Raleigh ³	555,773,748	(1,068,270,072)	-192.21%	59,533,743	1,612,070,557	3.69%	1,660,000,000	37,873	33,744	43,831	49,194	3.42%	Y	Y	Y
Ohio State University ⁴	3,043,303,000	1,325,179,000	43.54%	195,529,000	5,645,227,000	3.46%	2,678,895,280	65,795	59,158	40,716	45,284	3.98%	N	Y	N
Pennsylvania State University (FASB)	3,769,050,000	4,912,904,000	130.35%	377,903,000	7,769,516,000	4.86%	4,322,471,000	88,116	80,938	49,054	53,405	2.13%	Y	Y	Y
State University of Iowa	1,597,621,000	2,306,892,000	144.40%	142,398,000	4,319,803,000	3.30%	3,054,429,000	29,969	28,859	101,920	105,840	3.17%	Y	Y	Y
Texas Tech University System	933,420,000	664,080,974	71.14%	113,444,458	2,475,358,590	4.58%	1,712,162,000	40,528	36,119	42,246	47,403	3.01%	N	Y	N
University of Colorado	2,082,456,000	763,006,000	36.64%	154,739,000	4,854,044,000	3.19%	1,975,029,000	66,226	58,747	29,823	33,619	2.80%	N	Y	Y
University of Delaware (FASB)	684,503,000	1,549,409,000	226.36%	42,205,000	1,110,576,000	3.80%	1,781,177,000	24,039	22,382	74,095	79,580	4.41%	Y	Y	N
University of Minnesota	1,985,203,000	1,428,131,000	71.94%	314,422,000	3,503,446,000	8.97%	2,146,701,000	68,631	58,751	31,279	36,539	2.89%	Y	Y	N
University of Missouri System	1,866,499,000	1,897,259,000	101.65%	94,757,000	3,958,901,000	2.39%	2,144,710,000	69,268	51,627	30,962	41,542	3.93%	Y	Y	N
University of Nebraska	1,257,852,000	1,735,934,000	138.01%	93,047,000	2,336,468,000	3.98%	2,058,624,000	49,567	42,487	41,532	48,453	3.33%	Y	Y	Y
University of Pittsburgh (FASB)	1,263,704,000	3,376,364,000	267.18%	103,917,000	2,595,331,000	4.00%	1,384,658,000	29,178	27,549	47,456	50,261	4.33%	N	Y	N
University of Utah	1,632,818,000	2,936,383,000	179.84%	166,810,000	6,591,993,000	2.53%	1,320,810,000	34,852	30,690	37,898	43,037	3.67%	Y	Y	Y
Virginia Tech	425,137,000	160,427,000	37.74%	56,890,000	1,638,667,000	3.47%	1,684,756,000	38,170	36,148	44,138	46,607	2.34%	Y	Y	Y
Average for group- 2022	\$ 1,610,302,083	\$ 1,662,405,916	103.24%	\$ 147,786,321	\$ 3,881,353,894	3.81%	\$ 2,134,957,377	53,500	46,875	\$ 39,906	\$ 45,546				
Average for group- 2021	\$ 1,507,533,390	\$ 1,554,156,181	103.09%	\$ 127,060,155	\$ 3,575,837,309	3.55%	\$ 2,191,131,189	53,917	47,037	\$ 40,639	\$ 46,583				

Source: most recent available audited financial statements

NOTES

- ¹ UMGCC students are not included in the total enrollment count for University System of Maryland.
- ² Enrollment statistics as reported for Fall 2022 by the institutional research departments. FTE estimates were used when not available.
- ³ Unrestricted Net Position is negative as a result of the Retiree Healthy Benefit Program Allocation and Pension Plan obligations
- ⁴ FY22 OSU Financials not yet released, info based on data reported for FY21
- * Texas Tech University System has a fiscal year end of 8/31/2022.



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Affiliated Foundation Policy compliance status

COMMITTEE: Audit

DATE OF COMMITTEE MEETING: March 27, 2023

SUMMARY: Board of Regents Policy IX-2.00 Policy on Affiliated Foundations details reporting and compliance requirements for foundations and not-for-profit entities recognized as formally affiliated with a USM institution or the System as a whole.

The Board policy requires that audited financial statements, and other reports and listings, be provided the System Office by October 31 annually. The Office of Administration and Finance reviews the items for unusual reporting items, and events that need to be followed up on. In cases of egregious noncompliance or reporting, the first step is review with the Vice Chancellor for Advancement, and then a discussion between the Vice Chancellor for Advancement and the relevant affiliated foundation executive, which in the case of fundraising foundations is often the institution’s vice president for advancement. In the event of ongoing egregious noncompliance, the Board of Regents can take the step of revoking the affiliation status, which is required for the institution to provide a license to use the institution’s name in fundraising materials.

The remaining items will continue to be pursued with the affiliated foundations and the appropriate institution. Any areas of noncompliance with Board Policy will be addressed to ensure the appropriate controls are in place going forward.

ALTERNATIVE(S): This is an information item.

FISCAL IMPACT: This is an information item.

CHANCELLOR’S RECOMMENDATION: This is an information item.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923

Audit Committee Meeting - Open Session

University System of Maryland
Affiliated Foundation Checklist
FY2022

Institution	Affiliated Foundation	Net Assets (in 5000s)	Certification of Compliance Signed by Responsible Official	Establishment	Structure	Activities & Business Operations	Audits and Reports						
				IX-2.00 ¶ 4-5	IX-2.00 ¶ 27	IX-2.00 ¶ 27	IX-2.00 ¶ 22	IX-2.00 ¶ 24-25	IX-2.00 ¶ 27				
				Annual Written Agreement with USM or Institution	List of Foundation Officers and Directors	List of All State and Federal Contracts and Grants Managed	Auditors' Management Letter/Auditor's Communication with Those Charged with Governance	Use of Internal Auditor	Annual Financial Audit Report	Annual Audit Report of Transfers Made to USM and/or Institution	Annual Audit Report of Unrestricted Funds Available to Chancellor and/or President	List of USM Employees Who Received Compensation or Other Payments and Amount	
USM	The University System of Maryland Foundation, Inc.	\$ 506,906	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓
UMCP	University of Maryland College Park Foundation, Inc.	\$ 886,241	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓
UMB	The University of Maryland Baltimore Foundation, Inc.	\$ 440,372	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	N/A
TU	Towson University Foundation, Inc.	\$ 101,999	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓
SU	Salisbury University Foundation, Inc.	\$ 95,666	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓
UBalt	University of Baltimore Foundation, Inc.	\$ 88,890	✓	✓	✓	Yes	✓	USM Internal Audit in FY22	✓	✓	✓	✓	N/A
BSU	Bowie State University Foundation, Inc.	\$ 44,754	✓	Interim 7/1-12/31/2021, FY23 Agreement	✓	N/A	✓	USM Internal Audit FY19 through FY21	✓	✓	✓	N/A	N/A
FSU	Frostburg State University Foundation, Inc.	\$ 41,109	✓	✓	✓	N/A	✓	Use of FSU Comptroller's Office	✓	✓	✓	✓	✓
CSU	Coppin State University Development Foundation, Inc.	\$ 17,427	✓	✓	✓	Yes	✓	✓	✓	✓	✓	✓	✓
UMBC	University of Maryland, Baltimore County Research Park Corporation	\$ 10,444	✓	✓	✓	Yes	✓	Use of UMBC Management Advisory Office	✓	✓	✓	✓	N/A
UMCP	The Robert H. Smith School of Business Foundation, Inc.	\$ 10,603	✓	✓	✓	N/A	✓	No	✓	N/A	N/A	N/A	N/A
UMCP	The Maryland 4-H Foundation, Inc.	\$ 6,664	✓	✓	✓	Yes	✓	No	✓	✓	✓	✓	✓
UMB	Medical Alumni Association of the University of Maryland, Inc.	\$ 4,145	✓	✓	✓	N/A	✓	No	✓	✓	✓	N/A	N/A
UMCP	M Club Foundation, University of Maryland, Inc.	\$ 2,837	✓	✓	✓	N/A	✓	No	✓	✓	✓	N/A	✓
BSU	The Maryland Center @ Bowie State University, Inc.	\$ 826	No response received	✓	✓	Yes	✓	No	✓	✓	✓	✓	✓
UMCP	Harry B Hughes Center for Agro-Ecology, Inc.	\$ 69	✓	✓	✓	Yes	✓	No	Review	N/A	N/A	N/A	✓
SU	The Ward Foundation, Inc.	\$ 56	✓	✓	✓	Yes	✓	No	Going Concern issue noted by auditor	✓	✓	N/A	✓

Key:
 Followed up and awaiting response and/or documentation
 Received response and/or documentation and in compliance
 Non-compliance



University System of Maryland

Audit Committee Meeting
March 27, 2023

CPAs | CONSULTANTS | WEALTH ADVISORS

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Scope of Services and Deliverables - FY22 Status

Opinion on financial statements for the year ending June 30, 2022 *Issued January 2023*

Single audit testing as part of the State of Maryland Single Audit Report *Expected Issuance by March 31, 2023*

Governance communication letter *Issued January 2023*

Campus enrollment agreed-upon procedures *Expected Issuance by April 15, 2023*

Howard P. Rawlings Scholarship Programs agreed-upon procedures *Due by June 1, 2023*



FY22 Single Audit

- Major Programs
 - Student Financial Aid Cluster
 - Research & Development Cluster
 - Education Stabilization Fund ALN 84.425
 - Global Aids ALN 93.067



FY22 Single Audit Findings

Finding Number	Assistance Listing #	Repeat Finding	Federal Program/ Cluster Name	Institution	Internal Control		Compliance	Compliance Requirement
					Material Weakness	Significant Deficiency		
2022-005	93.067	2021-004	Global Aids	UMB	x		x	Reporting- Schedule of Expenditure of Federal Awards
2022-006	93.067	No	Global Aids	UMB	x		x	Reporting – Federal Funding Accountability and Transparency Act (FFATA)
2022-007	93.067	No	Global Aids	UMB		x	x	Reporting - Notice of Award
2022-008	93.067	No	Global Aids	UMB		x	x	Procurement, Suspension and Debarment
2022-009	84.425 E, F, J	2021-004	Education Stabilization Fund (ESF)	BSU		x		Reporting- Schedule of Expenditure of Federal Awards
2022-010	84.425 F	2021-007	Education Stabilization Fund (ESF)	BSU, CSU, UB		x	x	Suspension and Debarment
2022-011	84.425 E, F	2021-006	Education Stabilization Fund (ESF)	BSU, CSU, FSU, SU, UB, UMBC, UMGC		x	x	Reporting- HEERF
2022-012	84.425 F	2021-005	Education Stabilization Fund (ESF)	UMCP		x	x	Allowable Cost and Activities- Payroll



FY22 Single Audit Findings

Finding Number	Assistance Listing #	Repeat Finding	Federal Program/ Cluster Name	Institution	Internal Control		Compliance	Compliance Requirement
					Material Weakness	Significant Deficiency		
2022-013	84.063, 84.268	No	Student Financial Assistance Cluster	BSU, UMBC, UMES, UMGC		x	x	Special Tests and Provision- NSLDS Enrollment Reporting
2022-014	84.063, 84.268	No	Student Financial Assistance Cluster	BSU, UMB, UMES, UMGC		x	x	Special Tests and Provision- NSLDS Timely Reporting
2022-015	84.063, 84.007, 84.268, 84.379	No	Student Financial Assistance Cluster	BSU		x	x	Eligibility
2022-016	84.063, 84.007, 84.268, 84.379	No	Student Financial Assistance Cluster	BSU		x	x	Special Tests and Provision- R2T4
2022-017	84.268	No	Student Financial Assistance Cluster	FSU		x	x	Direct Loan Reconciliation
2022-018	84.063, 84.268	No	Student Financial Assistance Cluster	UMB, UMGC		x	x	Special Tests and Provision- NSLDS Program-Level Reporting
2022-019	84.077, 84.033, 84.038, 84.063, 84.268, 84.379	No	Student Financial Assistance Cluster	UB		x	x	Special Tests and Provision- NSLDS Error Reporting
2022-020	84.038	No	Student Financial Assistance Cluster	UB, UMES		x	x	Perkins Record Keeping and Retention
2022-021	84.063	No	Student Financial Assistance Cluster	UMB		x	x	Perkins Record Keeping and Retention



FY22 Single Audit Findings

Qualified Opinion

Program	Assistance Listing	Noncompliance	Finding Number
Global AIDS	93.067	Reporting- Schedule of Expenditure of Federal Awards	2022-005
Global AIDS	93.067	Reporting – Federal Funding Accountability and Transparency Act (FFATA)	2022-006

Impact on FY23 Single Audit

- Results in a high risk assessment under Uniform Guidance
- Requires testing as a major program for a 2nd year

FY22 Enrollment Report Findings

	BSU	CSU	FSU	SU	TU	UB	UMB	UMBC	UMCP	UMES	UMGC
All Registered Students											
1. Actual enrollment as of the institutional freeze date	-	-	-	-	-	-	-	-	-	-	-
2. Race Category	1	6	-	-	-	-	-	-	-	24	-
3. Tuition status category	-	-	-	-	-	-	-	-	-	3	-
First Time, Full Time											
4. Actual enrollment as of the institutional freeze date	-	-	-	-	-	-	N/A	-	-	-	-
5. First-time, full-time status	11	-	-	-	-	1	N/A	-	1	11	-





BOARD OF REGENTS

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

TOPIC: Update from ERM and Crisis Management Workgroup

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: March 27, 2023

The ERM and Crisis Management Workgroup last met on February 14, 2023.

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: Update of Office of Legislative Audit Activity

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: March 27, 2023

Since the Committee’s December 15, 2023, meeting, the Office of Legislative Audits (OLA) issued its reports of the University of Maryland Eastern Shore (see Attachment A Summary of Findings) and the University of Maryland, Baltimore (See Attachment B – Summary of Findings)

OLA Engagements Currently Active:

- University System of Maryland Office,
- Towson University
- Salisbury University,
- Coppin State University; and
- University of Maryland Global Campus.

attachments

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 UMES Report

The Office of Legislative Audit (OLA) issued its final report for its audit of UMES on December 15, 2022. OLA reports six findings, three of which are classified as repeat findings. The three cyber security related findings are fully redacted by OLA. This report includes UMES' response which conveys agreement with OLA's findings and conveys corrective action taken or to be taken.

The findings are summarized as follows:

FISCAL COMPLIANCE FINDINGS

Finding 1 – Food Service Vendor: OLA notes that UMES is not adequately monitoring its food service vendor contract. As a result, UMES was not able to ensure that it received the required facility upgrades and investments or that appropriate commissions (percentage of sales) were received from its food services vendor. (Repeat)

Finding 2 – Student Accounts Receivable: OLA notes that UMES does not have adequate controls to ensure that student residency status is appropriately determined. Also, UMES does not have adequate controls over changes to student residency and non-cash credits. OLA recommends that UMES establish independent reviews to ensure that these transactions are appropriate. OLA also noted one potentially incorrect in-state residency status for an out-of-state student. (Repeat)

Finding 3 – Cash Receipts: OLA notes that UMES does not have adequate controls over cash collections received in the mail and does not ensure that electronic cash collections are properly deposited into the State's bank account. OLA recommends that UMES ensures that collections received through the mail are independently verified to deposit documentation. Also, UMES needs to reconcile its electronic collections with the State's banking records. (Repeat)

THREE CYBERSECURITY RELATED FINDINGS - REDACTED

Attachment B

Summary Analysis of Findings in OLA's UMB Report

On March 1, 2023, the Office of Legislative Audit (OLA) issued its final audit report of UMB. OLA reports six findings, one of which is cyber-security related and fully redacted. This report includes UMB's response which conveys agreement with OLA's findings and conveys corrective action taken or to be taken.

The findings are summarized as follows:

FISCAL COMPLIANCE FINDINGS

Finding 1 – Student Residency: OLA notes that changes made to student residency status were not independently reviewed for propriety. As a result, errors or irregularities in student residency could go undetected.

Finding 2 – Financial Aid: OLA notes that reviews of adjustments made to financial aid awards were inadequately completed and documented. As a result, errors or irregularities in financial aid awards could go undetected.

Finding 3 – Grants Receivable: OLA notes that past-due reimbursement requests were not forwarded to the State's Central Collections Unit. OLA also notes that UMB has approximately \$11.8 million in grants receivable greater than 180 days old and some more than a year old.

Finding 4 – Cash Receipts: OLA notes that university departments did not independently verify that their collections received were properly forwarded to UMB's Cashier's Office and deposited. OLA notes that the collections they audited were properly deposited.

Finding 5 – Payroll: OLA notes that adjustments to employee leave balances were not independently reviewed by supervisory personnel.

CYBERSECURITY RELATED FINDING - REDACTED

Attachment C

USM
Summary of Audit Findings per
Office of Legislative Audits
As of March 27, 2023

	OLA Report Issued:													Total
	May-21	Sep-19	Aug-20	Oct-19	Aug-20	Dec-21	Mar-23	Jan-20	Jun-19	Sep-22	Nov-22	Nov-19	Sep-19	
Change in Total OLA Report Findings *	BSU	CSU	FSU	SU	TU	UB	UMB	UMBC	UMCES	UMCP	UMES	UMGC	USMO	-4
	2	-1	1	1	-6	0	4	-3	0	0	-3	1	0	
Change in Total REPEAT Findings *	2	0	1	0	-1	-1	-1	0	1	1	1	1	1	5
	BSU	CSU	FSU	SU	TU	UB	UMB	UMBC	UMCES	UMCP	UMES	UMGC	USMO	Total
Total Current OLA Report Findings	7	6	5	5	3	7	6	4	1	7	6	4	3	64
Total Repeat Findings (included in Total)	2	2	1	0	0	0	0	0	1	2	3	1	1	13

Note 1 (*) - Change represents difference from most recent year's audit report to its previous report.



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: March 27, 2023

SUMMARY:

Action Item Update for March 27, 2023, Meeting:

1. USM’s VP for Accountability will Provide the Committee with a Comparison of the Office of Legislative Audit’s Scope of Work with the Office of Internal Audit’s CY 2023 Annual Plan of Activity. Discussed in closed session.
2. Monitor for BOR Approval of the following Policies:

BOR VIII-13.00—USM Policy on Business Entities - Approved by BOR on 2/7/2023

BOR IX-2.00 – Policy on Affiliated Philanthropic Support Foundations - Approved by BOR on 2/7/2023.

See Attachment: Listing of Open Action Items From 2019 – 2022 Audit Committee Meetings.

attachment

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 2019 - 2022 Audit Committee Meetings
 27-Mar-23

Action Item

Status

From December 2022 Audit Committee Meeting

1.	Provide Committee w/ a Comparison of OLA Work Scope to OIA's CY 2023 Audit Plan	Submitted to Committee at March 2023 Meeting.
2.	Monitor Revisions to BOR Policies on Business Entities and Philanthropic Fundraising Foundations	Approved by BOR 2-7-2023

From October 2022 Audit Committee Meeting

1.	Include proposed revisions of BOR Policy on Business Entities to Compare to Fundraising Foundation Policy.	Cleared at January Committee Meeting.
2.	Some recommendations made to finalize BOR Policy on Fundraising Foundations	Cleared at January Committee Meeting.

From June 2022 Audit Committee Meeting

1.	Update of Fundraising Foundation Policy Development.	Approved by BOR 2-7-2023
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From March 2022 Audit Committee Meeting

1.	Update of Fundraising Foundation Policy Development.	Approved by BOR 2-7-2023
2.	Provide Committee Updates of Prosecution of Former Employee's Theft of Computer Equipment- UMCP	No progress since the June 2022 Meeting.

From December 2021 Audit Committee Meeting

1.	Update of Fundraising Foundation Policy Development.	Approved by BOR 2-7-2023
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From June 2021 Audit Committee Meeting

1.	Obtain review of Fundraising Foundation Policy by the OAG.	Approved by BOR 2-7-2023
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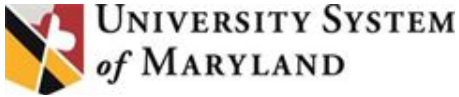
From March 2021 Audit Committee Meeting

1.	Submit and recommend modifications to the BOR Policy on Foundations for the Committee's consideration and recommendation to the full Board.	Approved by BOR 2-7-2023
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From October 2019 Audit Committee Meeting

1.	Universities shall submit their ERM plan of implementation to the Audit Committee and annually produce risk dashboards. Internal Audit should audit implementation of ERM.	Ongoing.
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Note: Action items concluded prior to the December 2022 BOR Audit Committee meetings are not included in this schedule.



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Convening Closed Session

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: March 27, 2023

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.

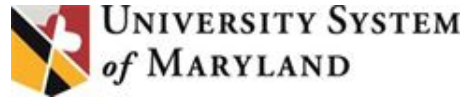
FISCAL IMPACT: There is no fiscal impact.

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

COMMITTEE ACTION: DATE: 3-27-2023

BOARD ACTION: DATE:

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



STATEMENT REGARDING CLOSING A MEETING
OF THE USM BOARD OF REGENTS

Date: March 27, 2023
Time: Approximately 11:00 AM
Location: Zoom

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.
- (15) To discuss cybersecurity, if the public body determines that public discussion would constitute a risk to: (i) security assessments or deployments relating to information resources technology; (ii) network security information, including information that is: 1. Related to passwords, personal identification numbers, access codes, encryption, or other components of the security system of a governmental entity; 2. Collected, assembled, or maintained by or for a governmental entity to prevent, detect, or investigate criminal activity; or 3. Related to an assessment, made by or for a governmental entity or maintained by a governmental entity, of the vulnerability of a network to criminal activity; or (iii) deployments or implementation of security personnel, critical infrastructure, or security devices.

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

- Administrative Matters

TOPICS TO BE DISCUSSED:

IT security matters that pose vulnerabilities, legislative audit matters that are ongoing and, therefore, confidential; discussion of investigative matters which may lead to criminal prosecution or legal action; calendar year 2023 internal audit plan of activity; meeting separately with independent auditor's engagement partner and USM's VC of accountability.

REASON FOR CLOSING:

- 1) Potentially seek advice of legal counsel. Discuss with staff, consultants, and legal counsel regarding potential litigation. Discuss an investigative proceeding into possible criminal conduct and maintain confidentiality of discussions regarding ongoing investigations by outside agencies, which potentially could result in criminal prosecutions. (§3-305(b)(7)), (§3-305(b)(8)) and (§3-305(b)(12));
- 2) To maintain confidentiality of USM's cybersecurity that would constitute a risk vulnerability of networks, critical IT infrastructure and information resources. (§3-305(b)(15));
- 3) 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));
- 4) To carry out an administrative function: discussion of calendar year's 2022 audit plan of activity by the USM Office of Internal Audit (§ 3-103(a)(1)(i); and
- 5) To carry out an administrative function: the Committee's separate meeting with the VC of Accountability and independent auditors (§3-103(b)(1)(ii)).