



**BOARD OF REGENTS
COMMITTEE ON AUDIT**

Notes from Closed Session
November 22, 2010

Mr. Shea called the meeting to order in closed session at 10:00 AM on November 22, 2010 at the University System of Maryland System.

The Audit Committee members present: Regents James L. Shea, Thomas C. McMillen and Mr. Cliff Kendall (*ex officio*). Mr. Gary Attman and Dr. Frank Reid participated via phone. Also present were USM Staff: Mr. Brown, Ms. Denson, Ms. Moeller, Mr. Mosca, Mr. Page, Mr. Smith (Engagement Partner – S.B. and Co., LLC), Mr. Omisore (Audit Manager – S.B. and Co. LLC), Ms. Donahue (Office of the Attorney General), Dr. Perman – UMB, Mr. Gilbert – UMB, Ms. Byington – UMB and Ms. Gillette – UMB.

Audit Committee Chairman James L. Shea opened the meeting with a vote to approve minutes from the Committee's September 2, 2010 meeting. Attending committee members voted and approved the prior meeting minutes. The following agenda topics were discussed:

1. UMB's President, VP for Planning & Accountability, VP for Administration and Finance and Senior University Counsel delivered a presentation on UMB's Enterprise Risk Management Program and the benefits that are expected to be realized from this program. Enterprise Risk Management or ERM is an approach to risk management that provides a framework for entity-wide identification, prioritization of key exposures and development of operational responses to potential adverse events.
2. USM's Director of Internal Audit provided an update of action items from the June and September 2010 Audit Committee meetings, including a comparison of PCard problems occurring in the USM institutions with other state agencies, and policies and practices on work place bullying.
3. USM's Comptroller and the engagement partner from the independent audit firm (SB & Co.) presented FY 2010 "draft" financial statements and provided an update regarding the FY 2010 independent audit. It is expected that USM will receive an unqualified opinion on its FY 2010 financial statements. USM's Comptroller also led a discussion regarding system-wide financial results.
4. USM's Comptroller provided information and presented key points associated with USM's FY 2010 Financial Dashboard Indicators. The indicators and financial ratios visually summarize financial health trends and performance against a set of benchmarks. Despite tough economic times, many institutions are at or above the benchmarks, most of those that are not, are improving.
5. USM's Director of Internal Audit provided an update of the Office of Legislative Audit (OLA) activity since the committee's September 2010 meeting. Since the September meeting, OLA issued discussion notes for Bowie State University. Discussion notes convey areas in which OLA has identified their potential findings and facilitates the exchange of information in order to finalize their report. Additional information regarding internal activity was also provided.
6. USM's Director of Internal Audit, presented for approval, Internal Audit's proposed schedule of audit engagements to be completed during Calendar Year (CY) 2011. The schedule of engagements is

developed and executed in order to assist the BOR in fulfilling its responsibilities for overseeing the adequacy of and compliance with the internal controls of USM. Audit Committee members voted to approve Internal Audit's CY 2011 plan of engagements.

7. Internal Audit Report Summaries from August 2010 to October 2010 were submitted by USM's Director of Internal Audit for approval in order to be finalized. These reports are not considered final or subject to public disclosure until they are accepted by the BOR Audit Committee. Audit Committee members voted to approve the Internal Audit Report Summaries.
8. The Director of Internal Audit reviewed the status of Internal Audit's CY 2010 annual plan of activity, and the status of reported allegations which Internal Audit has received in FY 2010 and FY 2011.