



**BOARD OF REGENTS
COMMITTEE ON AUDIT**

Notes from Closed Session

January 20, 2011

Mr. Shea called the meeting to order in closed session at 10:00 AM on January 20, 2011 at the University System of Maryland Office.

The Audit Committee members present: Regents James L. Shea, Mr. Earl F. Hance, Mr. Clifford M. Kendall (*ex officio*), Mr. Gary L. Attman and The Hon. Francis X. Kelly, Jr. (via phone). Also present were USM Staff: Mr. Brown, Ms. Denson, Ms. Moeller, Mr. Mosca, Mr. Page, Mr. Graylin Smith and Ms. Monique Booker (Partners – S.B. and Co., LLC) and Mr. Richard Seimer (CSU's Vice President of Administration and Finance).

Audit Committee Chairman James L. Shea opened the meeting with a vote to approve minutes from the Committee's November 22, 2010 meeting. Attending committee members voted and approved the prior meeting minutes. The following agenda topics were discussed:

1. USM's Comptroller and the Engagement Partner from the independent audit firm (SB & Co.) presented FY 2010 Financial Statements, SB & Co.'s Management Letter, Enrollment Reports and a Financial Ratio Analysis of USM as compared to peers. USM received an unqualified opinion on its FY 2010 Financial Statements. Enrollment Reports (testing integrity of certain enrollment information provided to MHEC) reflected improved results in supporting information integrity from prior years, and provided a statistically validating conclusion.

USM's Comptroller presented a Financial Ratio Analysis that compared key performance indicators against peer institutions. For FYE 2010 and as compared to prior years, USM has maintained its financial position as indicated by key ratios. In one measure of comparison to other institutions, USM's endowment averages approximately \$5,000 per student, while others in the same category had at least \$12,000 per student.

2. USM's Director of Internal Audit provided an update of action items from previous Audit Committee meetings. The update included discussion and information regarding USM's General Ledger reconciliation practices.
3. USM's Director of Internal Audit provided an update of the Office of Legislative Audit (OLA) activity since the Committee's November 2010 meeting. Since this meeting, OLA issued discussion notes for the University of Baltimore and the University of Maryland Eastern Shore. Discussion notes convey areas in which OLA has identified their potential findings and facilitates the exchange of information in order to finalize their report. OLA held exit

meetings with Bowie State University in December 2010 and it is expected their final report will be issued within a short period of time. Additional information regarding internal activity was also provided.

4. USM's Director of Internal Audit provided an update of Internal Audit's 2011 plan of activity. Also discussed was Internal Audit's methodology in developing the audit plan.
5. The Director of Internal Audit provided an update and the status of reported allegations received by Internal Audit in FY 2010 and FY 2011.
6. Internal Audit Report Summaries from November 2010 and December 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.