



BOARD OF REGENTS

COMMITTEE ON AUDIT

Notes from Closed Session

September 17, 2010

Mr. Shea called the meeting of the Committee on Audit of the University System of Maryland Board of Regents to order in closed session at 12:00 noon on September 2 at the University of Maryland, College Park.

Those Regents in attendance included: James L. Shea (*chair*) via phone, Gary L. Attman, Francis X. Kelly Jr., C. Thomas McMillen, Paul Lawrence Vance, Clifford M. Kendall (*ex officio*) and Barry P. Gossett (non Committee member). Also present were USM Staff: Mr. Brown, Ms. Denson, Ms. Doyle, Ms. Moeller, Mr. Mosca, Mr. Page, Mr. Vivona, Mr. Balakrishnan, and Dr. Spicer; Mr. Smith (Engagement Partner – S.B. and Co., LLC); Mr. Travieso (Office of the Attorney General).

The following agenda items were discussed:

1. USM's Chief Information Officer, Dr. Spicer and Deputy Chief Information Officer, Mr. Balakrishnan led a presentation and discussion of USM's IT security. The presentation was a continuation of Audit Committee discussions in response to the volume of IT security repeat findings reported by the Office of Legislative Audits, and related findings noted by USM's Internal Audit Department and USM's independent auditor. Discussion included the potential impact or ramifications of IT security threats and vulnerabilities, high level risk mitigation strategies currently in place, and strategies that would go into effect in response to a potential security breach.
2. USM's Director of Internal Audit and USM's Comptroller provided information and led a discussion on USM's Corporate Purchasing Card (Pcard) Program, and USM Gift Card usage. The discussion of PCards focused on their use for USM procurement transactions less than \$5,000, summary of State Policies overseeing PCard usage, key controls over PCard usage, and common Legislative and Internal Audit findings. A PCard is similar to a consumer credit card except there are no fees or interest costs to the State. The PCard benefits State and USM by eliminating unnecessary paper work and associated administrative costs (purchase orders, invoice processing and check issuance). Small procurements can be made within hours, instead of days. Vendors benefit since the card-issuing bank pays them normally within two days of the purchase, instead of the 25-30 day process required to invoice the agency and receive payment from the State.

Discussion of gift cards focused on the narrow use of gift cards and their primary use as stipends for participation in clinical trials, incentive for student survey participation, and employee recognition and award programs. Discussion also ensued as to the controls employed to ensure the gift cards are secured and protected from loss or misuse.

3. USM's Director of Internal Audit provided an update of the Office of Legislative Audit activity since the Committee's June, 2010 meeting. Coppin State University's report was issued in July 2010. Additional information regarding internal activity was also provided.

4. The Director of Internal Audit reviewed the status of Internal Audit's annual plan of activity, and the status of reported allegations which internal audit has received in FY 2010.
5. The Audit Committee members approved USM's Office of Internal Audit reports from June 2010 to July 2010.