



**BOARD OF REGENTS
COMMITTEE ON AUDIT**
Minutes from Public Session
December 19, 2013

Mr. Augustine called the meeting of the Committee on Audit of the University System of Maryland Board of Regents to order at approximately 10 AM on December 19, 2013 at the University System of Maryland Office. Regents in Attendance included: Mr. Norman R. Augustine (*chair*), The Hon. C. Thomas McMillen, Ms. Linda R. Gooden, The Hon. Francis X. Kelly Jr., and Mr. Barry Gossett. Also present were: USM Staff: Dr. Kirwan, Mr. Brown, Ms. Denson, Ms. Doyle, Mr. Mosca, Mr. Page, Mr. Hogan, Mr. Vivona and Ms. White; Office of the Attorney General: Ms. Elena Langrill; S.B. and Co., LLC (USM's Independent Auditor): Ms. Booker, Mr. Walsh and Mr. Seymour; and Coppin State University: Mr. Spinard, and Ms. Moseley.

Information and Discussion: FY 2013 Independent Audit of USM Financial Statements and Enrollment Reports

Ms. Booker indicated that SB & Co., LLC rendered an unmodified audit opinion and noted no material weaknesses or significant deficiencies regarding USM's Financial Statements for the periods ended June 30, 2013 & 2012.

Ms. Booker made note of a new disclosure requirement for public-private partnerships. Under the new GASB 60, Public Private Partnerships have been added to the financial statements.

Ms. Booker summarized a recently adopted GASB accounting standard (GASB 68) which changes reporting requirements for pension liabilities. The new reporting requirement will be effective for financial periods beginning after June 15, 2014, meaning that the fiscal year 2015 financial statements will have to be prepared using the guidance in GASB 68.

Currently, the USM does not report any portion of the unfunded pension liability. Under GASB 68, the USM will record a portion of the state's unfunded pension liability proportionate to USM's portion of overall state contributions to the pension systems. At this time, it appears that the portion of the state's unfunded pension liability that will be allocated to the USM will be approximately \$600-\$700 million, and it will be recorded in the fiscal year 2015 financial statements as a prior period adjustment to the opening fund balances.

In response to understanding the impact of this future requirement in context with USM's bond rating, Mr. Seymour noted that the bond rating agencies have been aware of this information for some time and can reasonably be expected to anticipate the future changes in financial statement presentation. While this will have a negative impact on USM's fund balance, it is uncertain as to whether this accounting change will impact negatively on USM's bond rating. It was further expressed that several additional factors that affect bond ratings (such as income per capita and the ability to raise taxes), and that these work toward Maryland retaining its current bond rating.

SB & Co., LLC conducted agreed upon procedures which tested enrollment information provided to the Maryland Higher Education Commission (MHEC) to source documentation. These procedures are designed to provide a statistically reliable conclusion [90% confidence interval] on the accuracy of enrollment information among as many as five different attributes. Ms. Booker summarized that SB & Co., LLC noted four exceptions, which statistically supports the information reported to MHEC as statistically reliable.

Reconvene to Closed Session. Regent Augustine read the motion for the BOR to close the meeting to discuss issues specifically exempted from the open meetings act under State Government Article §10-508(a) for the reasons delineated in the *Convening in Closed Session statement*. Regent Kelly moved for the adjournment of the public session, seconded by Regent Gooden, unanimously approved by Regents Augustine (*chair*), McMillen, Gooden, Kelly, and Gossett. The meeting was adjourned at 11:38 AM.