



UNIVERSITY SYSTEM OF MARYLAND
BOARD OF REGENTS - AUDIT COMMITTEE
OPEN MEETING AGENDA
October 30, 2020

1. Information & Discussion – FY 2020 Audit Committee Work Plan Mr. Mosca
 2. Information & Discussion – Review of BOR Policies Mr. Mosca
 - Committee on Audit Charter
 - Committee on Audit Bylaws
 3. Information & Discussion – FYE 2020 - System Wide Draft Financials, Balance Sheet & Statement of Changes (affiliated foundations are not included) Ms. Denson
Mr. Page
 4. Information & Discussion - Review Presidents, Chancellor and Board of Regents annual financial disclosure compliance with §12-104(p). Mr. Mosca
 5. Information & Discussion – Completed Office of Legislative Audit Activity Mr. Mosca
 6. Information & Discussion – Follow up of Action Items from Prior Meetings Mr. Mosca
 7. Approval - Convene to Closed Session Ms. Fish
-



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Information & Discussion – FY 2021 Audit Committee Work Plan

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2020

Attached is a schedule of the Audit Committee's FY 2021 work plan. The objectives of the work plan are designed to assist the Audit Committee in fulfilling the requirements of its Charter and Bylaws. The schedule also identifies which objectives will be addressed at each of the four Audit Committee meetings scheduled throughout the year.

As new risks emerge, additions or modifications to the work plan will be made as needed.

Attachment

FISCAL IMPACT: none

CHANCELLOR'S RECOMMENDATION: none

COMMITTEE ACTION: None

DATE:

BOARD ACTION: None

DATE:

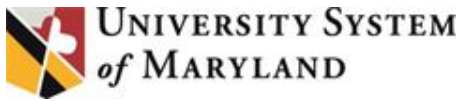
SUBMITTED BY: David Mosca

**USM BOR Audit Committee
Annual Work Plan
FY 2021**

Objective		When Performed Audit Committee Meetings					
		Oct	Dec	Mar	June	As Needed	Completed
Authority							
1	The Committee, with the approval of the Board, is empowered to retain outside counsel or persons having special competence as necessary to assist the Committee in fulfilling its responsibility.					x	
2	Resolve any disagreements between the independent auditor and management.					x	
Composition of Committee Members							
3	The Audit Committee shall comprise not less than 5 or more than 7 members. The majority of the members must be knowledgeable about financial matters.	x					
Meetings							
4	Meet at least 4 times per year.	x	x	x	x		
Responsibilities							
Internal Audit							
5	Review with the Director of Internal Audit progress of completing the annual plan of activity.	x	x	x	x		
6	Review and approve internal audit's annual plan of activity.		x				
7	Ensure that there are no unjustified restrictions or limitations on the internal audit department.	x	x	x	x		
8	Review the effectiveness of the internal audit function.				x		
9	Meet separately with the Director of Internal Audit to discuss any matters that the committee or the Director of Internal Audit believes should be discussed privately.	x	x	x	x		
Independent Auditor							
10	Review the external auditors' proposed audit scope and approach.				x		
11	Review significant accounting and reporting issues and understand their impact on the financial statements.		x				
12	Review with management and the external auditors the results of the audit, including any difficulties encountered.		x				
13	Discuss the annual audited financial statements with management and the external auditors.		x				
14	Review and discuss the results of enrolment testing agreed upon procedures.		x				
15	Review and discuss the results of A-133 Single Audit..			x			
16	Discuss the scope of external auditors' review of internal control over financial reporting.		x				

**USM BOR Audit Committee
Annual Work Plan
FY 2021**

Objective		When Performed Audit Committee Meetings					
		Oct	Dec	Mar	June	As Needed	Completed
17	Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.				x		
18	Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.	x	x	x	x		
	Financial Reporting						
19	Review FYE Consolidated Financial Statements	x	x				
20	Review FYE Financial Dashboard Indicators		x				
21	Review 12/31/20 six month Financial Statements			x			
	Other						
22	Regularly report to the Board of Regents about Committee activities.	x	x	x	x		
23	Confirm annually that all responsibilities outlined in the committee's charter have been carried out.				x		
24	Discuss with the Attorney General or representative, the status of legal matters that may have a significant impact on USM institution's financial statements.					x	
25	Review legislative audits of the institutions of the University System and institutional responses thereto, and provide the Board with appropriate reports.	x	x	x	x		
26	Review policies pertaining to Audit Committee	x			x		
27	Monitor the Board's observance of the State Ethics Code as it pertains to possible conflict of interest with matters of the University System of Maryland					x	
28	Oversee the Board's Enterprise Risk And Crisis Management Work Group					x	
29	Review Presidents, Chancellor and Board of Regents annual financial disclosure forms. This is to comply with Md. Education Code Ann. §12-104(p).	x			x		



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION, INFORMATION OR DISCUSSION

TOPIC: Review of Board of Regent Policies

COMMITTEE: Audit Committee

DATE OF COMMITTEE MEETING: October 30, 2020

SUMMARY:

Attached are BOR Policies/Bylaws that pertain to the Board of Regents (BOR) Committee on Audit's charge. These are:

1. Committee on Audit Charter (Attachment A). Last revised November 22, 2019. No modifications are currently recommended.
2. The Board of Regents Bylaws Section 3. November 22, 2019. Committee on Audit (Attachment B). No modifications are currently recommended.

Procedures for Review of USM BOR Bylaws and Policy

BYLAWS:

1. The Committee on Organization and Compensation should review BOR bylaws on a 4-year cycle.
2. **Each BOR committee should conduct an annual review of their committee charge at the beginning of each fiscal year.**

BOR POLICIES:

1. All BOR policies should be reviewed on a 4-year cycle.
2. Each policy should be assigned to a BOR committee(s); assigned policies should be relevant to the committee's mission.
3. USM staff will assist BOR committees in developing a detailed 4-year policy review schedule that considers policies that are high priority and identifies policies that are primarily technical or administrative in nature or dictated by external requirements. (Attachment C).
4. Policy reviews should include an update of policies, as needed, as well as the elimination of unneeded policies and/or merger of policies.
5. Policies may be reviewed out of cycle if problems arise with the policy implementation or to implement best practices.
6. Each BOR committee should report annually at the end of each fiscal year to the BOR on the policies reviewed during the past 12 months.

attachments

FISCAL IMPACT: none

CHANCELLOR'S RECOMMENDATION:

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca

Attachment A

**University System of Maryland
Board of Regents Audit Committee
Audit Committee Charter
Established June 2006 and Last Revised – November 22, 2019**

PURPOSE

To assist the Board of Regents in fulfilling its responsibilities for overseeing the adequacy of and compliance with the internal controls, BOR Policies, risk management practices, investigative activity, governance processes, and to oversee the sufficiency and appropriateness of the financial reporting of the University System of Maryland.

AUTHORITY

The Audit Committee (Committee) is granted the authority to investigate any activity of the USM, and all employees are directed to cooperate as requested by members of the Committee. The Committee, with the approval of the Board, is empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. It is empowered to:

- Appoint, compensate and oversee the work of the Director of Internal Audit and the public accounting firm employed by the organization to conduct the annual audit. This firm and the Director of Internal Audit will report directly to the Audit Committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Retain independent accountants or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- Meet with USM officers, external auditors or outside counsel, as necessary.
- The committee may delegate authority to subcommittees, providing that decisions are presented to the full Committee at its next scheduled meeting.
- Review and approve the yearly internal audit plan and oversee the effectiveness of the internal audit function.

COMPOSITION

The Audit Committee shall comprise not less than **5** or more than **7** members. The majority of the members must be knowledgeable about financial matters and have financial literacy as a whole. The Chairman of the Board of Regents shall appoint the members of the Audit Committee, and select the Audit Committee's Chair, to serve one year terms. A majority of members of the committee shall constitute a quorum.

MEETINGS

The Audit Committee is to meet at least four times each year, and as many more times as it deems necessary. All Committee members are expected to attend each meeting. As necessary or desirable, the chairman may request that members of management and the representatives of the independent auditor be present at meetings of the Committee.

RESPONSIBILITIES:

1. The Committee on Audit shall render advice and assistance to the Board of Regents in fulfilling its fiduciary responsibilities for overseeing the adequacy of and compliance with the internal controls, BOR Policies, risk management practices, investigative activity, governance processes, and to oversee the sufficiency and appropriateness of the financial reporting of the University System of Maryland.
2. This Committee shall review independent audit proposals including the scope of examination, services to be provided, reports to be rendered and fees to be charged, recommend to the Board the selection and scope of work of the independent external auditor of the University System of Maryland, review findings received there from and provide the Board with appropriate reports.
3. This Committee shall review legislative audits of the institutions of the University System and institutional responses thereto, and provide the Board with appropriate reports.
4. This Committee shall review and recommend to the Board the scope of the internal audit function. The Committee shall review the Charter of the Office of Internal Audit, its annual plan of work, its reports and administrative actions taken regarding its recommendations, and its annual report of significant audit items, and shall provide the Board with appropriate reports on the activities of that office. The Committee shall review the performance of the Director of Internal Audit and monitor the effectiveness of the internal audit function.
5. In fulfillment of these responsibilities this Committee shall foster direct communications with the external auditors on an annual basis or as otherwise deemed appropriate, and shall assure direct access from the Office of the Internal Audit, including meeting privately, at least on an annual basis, with the Director of Internal Audit.
6. This Committee shall monitor the Board's observance of the State Ethics Code as it pertains to possible conflict of interest with matters of the University System of Maryland.

7. This Committee shall assist the Board in fulfilling its responsibility to comply with Md. Education Code Ann. Section 12-104(p) review of annual financial disclosure statements—The Board of Regents shall review the annual financial disclosure statements filed by the Chancellor and the presidents of each constituent institution in accordance with Section 5-607 of the General Provisions Article.
8. The Committee shall review the annual financial disclosure statements filed by the members of the Board of Regents in accordance with Section 5-607 of the General Provisions Article.
9. The Committee shall render advice and assistance to the Board of Regents in fulfilling its responsibilities for overseeing the sufficiency and adequacy of Enterprise Risk Management of the University System of Maryland as defined in BOR Policy - VIII-20.00 Policy on Enterprise Risk Management.

Attachment B

Board of Regents Bylaws

Article X Section 3. Committee on Audit.

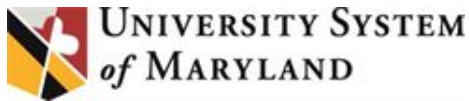
A. The Committee on Audit shall have the following duties:

1. The Committee on Audit shall render advice and assistance to the Board of Regents in fulfilling its fiduciary responsibilities for overseeing adequacy of and compliance with the internal controls of the University System of Maryland and the sufficiency and appropriateness of its financial reporting.
2. This Committee shall review independent audit proposals including the scope of examination, services to be provided, reports to be rendered and fees to be charged, recommend to the Board the selection and scope of work of the independent external auditor of the University System of Maryland, review findings received there from and provide the Board with appropriate reports.
3. This Committee shall review legislative audits of the institutions of the University System and institutional responses thereto, and provide the Board with appropriate reports.
4. This Committee shall review and recommend to the Board the scope of the internal audit function. The Committee shall review the Charter of the Office of Internal Audit, its annual plan of work, its reports and administrative actions taken regarding its recommendations, and its annual report of significant audit items, and shall provide the Board with appropriate reports on the activities of that office.
5. In fulfillment of these responsibilities this Committee shall foster direct communications with the external auditors on an annual basis or as otherwise deemed appropriate, and shall assure direct access from the Office of the Internal Auditor, including meeting privately, at least on an annual basis, with the Director of Internal Audit.
6. This Committee shall monitor the Board's observance of the State Ethics Code as it pertains to possible conflict of interest with matters of the University System of Maryland.
7. This Committee shall assist the Board in fulfilling its responsibility to comply with Md. Education Code Ann. Section 12-1-4(p) review of annual financial disclosure statements—The Board of Regents shall review the annual financial disclosure statements filed by the Chancellor and the presidents of each constituent institution in accordance with Section 5-607 of the General Provisions Article.
8. The Committee shall review the annual financial disclosure statements filed by the members of the Board of Regents in accordance with Section 5-607 of the General Provisions Article.
9. The Committee shall render advice and assistance to the Board of Regents in fulfilling its responsibilities for overseeing the sufficiency and adequacy of Enterprise Risk Management of the University System of Maryland as defined in BOR Policy - VIII-20.00 Policy on Enterprise Risk Management.

Attachment C

USM BOR Policy Review Schedule
 Committee on Audit
 October 30, 2020

Policy Number	Policy Name	Last Updated	Last Reviewed	Next Committee Review Date
1-7.00	Policy on Public Ethics of Members of the Board of Regents	Aug-99	Oct-16	FY 2021
VIII-7.10	Policy on Reporting Suspected or Known Fiscal Irregularities	Jun-17	Jun-17	FY 2021
VIII-7.11	Policy on the Communication of Suspected Fraud, Unethical and Illegal Business Activity	Apr-10	Apr-17	FY 2021
VIII-7.20	Policy on External Audits	Jun-18	Jun-18	FY 2022
VIII-7.30	Policy on Responses to Legislative Audits	Jun-18	Jun-18	FY 2022
VIII-7.50	USM Office of Internal Audit Charter	Jun-18	Jun-19	FY 2022
VIII-20.00	Policy on Enterprised Risk Management	Oct-19	Oct-19	FY 2022
Charter	Committee On Audit	Oct-19	Oct-19	FY 2021
Bylaws	Committee On Audit	Oct-19	Oct-19	FY 2021

**BOARD OF REGENTS**SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION**TOPIC:** FY 2020 Preliminary USM Financial Statements**COMMITTEE:** Audit Committee**DATE OF COMMITTEE MEETING:** October 30, 2020**SUMMARY:**

A brief review of the unaudited preliminary University System of Maryland basic financial statements for the year ended June 30, 2020

The sheet titled 'Financial Snapshot' summarizes the System's key financial health ratio used by rating agencies, Available Resources to Debt Outstanding, using the figures reflected in the preliminary financial statements, to provide a comparison between June 30, 2020 and 2019. The second part of the Financial Snapshot adjusts the publicly reported balances to take into consideration Board-approved claims and authorizations not yet expended or reflected in the financial statements to arrive at a 'true' financial health ratio for internal management and decision-making purposes. The ratio is also used for managerial decision making in the BOR Policy VIII-12.00 Policy on Debt Management.

A set of key points in reviewing the System's preliminary financial statements is included.

The financial statements reflect the preliminary financial position and the results of operations of the University System of Maryland for the years ended June 30, 2020 and 2019 prepared on an accrual basis of accounting. The final, audited financial statements for the University System of Maryland will be available in December, and will include the auditor's opinion (System officials anticipate a 'clean' or unqualified opinion at this point) all appropriate note disclosures, a section containing management's discussion and analysis, the financial statements of the affiliated foundations, and supplementary financial statements for each of the USM institutions.

FISCAL IMPACT: Information item**CHANCELLOR'S RECOMMENDATION:** Information item

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca

UNIVERSITY SYSTEM OF MARYLAND
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,631,688,178	\$ 2,552,186,538	
Accounts receivable, net	339,667,091	295,439,263	
Notes receivable, current portion, net	3,874,699	5,345,066	
Inventories	9,954,651	9,464,301	
Prepaid expenses and other	20,863,589	20,758,341	
Total current assets	<u>3,006,048,208</u>	<u>2,883,193,509</u>	
Noncurrent assets:			
Restricted cash and cash equivalents	62,041,083	157,124,871	
Endowment investments	354,554,440	364,140,586	
Other investments	34,999,509	22,144,370	
Notes receivable, net	23,860,209	29,984,838	
Capital assets, net	6,829,553,880	6,633,402,152	
Total noncurrent assets	<u>7,305,009,121</u>	<u>7,206,796,817</u>	
Total assets	<u>10,311,057,329</u>	<u>10,089,990,326</u>	
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refundings of debt	12,109,985	14,196,040	
Asset retirement obligations	12,801,865	12,404,568	
Deferred changes, pension expense	417,977,756	537,030,657	E
Total assets and deferred outflows of resources	<u>\$ 10,753,946,935</u>	<u>\$ 10,653,621,591</u>	
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 346,579,640	\$ 315,630,844	
Accrued workers' compensation, current portion	4,885,800	4,309,950	
Accrued vacation costs, current portion	123,461,419	111,785,925	F
Revenue bonds and notes payable, current portion	99,295,675	100,892,731	G
Obligations under capital lease agreements, current portion	1,823,141	1,652,537	G
Unearned revenues	351,060,005	318,662,589	
Total current liabilities	<u>927,105,680</u>	<u>852,934,576</u>	
Noncurrent liabilities:			
Accrued workers' compensation	27,686,200	24,423,050	
Accrued vacation costs	151,666,808	115,722,833	F
Revenue bonds and notes payable	1,088,171,129	1,198,123,353	G
Obligations under capital lease agreements	12,336,835	2,844,822	G
Net pension liability	1,275,563,402	1,309,998,345	E
Total noncurrent liabilities	<u>2,555,424,374</u>	<u>2,651,112,403</u>	
Total liabilities	<u>3,482,530,054</u>	<u>3,504,046,979</u>	
DEFERRED INFLOWS OF RESOURCES			
Deferred service concession arrangement receipts	252,219,390	270,575,431	
Deferred changes, pension expense	137,717,117	126,115,718	E
Total deferred inflows of resources	<u>389,936,507</u>	<u>396,691,149</u>	
NET POSITION			
Unrestricted	1,198,677,071	1,289,908,203	B
Net investment in capital assets	5,434,528,274	5,222,375,942	C
Restricted:			
Nonexpendable:			
Scholarships and fellowships	17,585,035	16,764,483	
Research	7,210,176	5,461,934	
Other	16,923,030	16,922,872	
Expendable:			
Scholarships and fellowships	36,878,144	38,527,037	
Research	90,659,905	78,706,352	
Loans	40,243,558	49,234,447	
Capital projects	8,991,103	6,799,771	
Other	29,784,078	28,182,422	
Total net position	<u>6,881,480,374</u>	<u>6,752,883,463</u>	A
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,753,946,935</u>	<u>\$ 10,653,621,591</u>	

UNIVERSITY OF SYSTEM OF MARYLAND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019	
OPERATING REVENUES:				
Tuition and fees	\$ 1,764,678,052	\$ 1,408,292,784	\$ 1,742,567,318	\$ 1,404,412,716
Less: scholarship allowances	(356,385,268)		(338,154,602)	
Federal grants and contracts		785,923,727		785,626,017
State and local grants and contracts		218,485,078		210,355,708
Nongovernmental grants and contracts		243,414,129		255,868,778
Sales and services of educational departments		335,932,342		337,560,431
Auxiliary enterprises:				
Residential facilities	167,782,843		204,234,018	
Less: scholarship allowances	(9,619,728)	158,163,115	(11,275,093)	192,958,925
Dining facilities	106,820,496		137,630,194	
Less: scholarship allowances	(4,905,838)	101,914,658	(6,327,041)	131,303,153
Intercollegiate athletics	124,830,286		140,759,174	
Less: scholarship allowances	(6,267,635)	118,562,651	(6,350,369)	134,408,805
Bookstore	13,692,645		15,689,421	
Less: scholarship allowances	(1,531,320)	12,161,325	(1,475,404)	14,214,017
Parking facilities	36,846,935		44,278,604	
Less: scholarship allowances	(136,669)	36,710,266	(141,414)	44,137,190
Other auxiliary enterprises revenues	130,807,275		155,766,798	
Less: scholarship allowances	(37,181)	130,770,094	(35,507)	155,731,291
Other operating revenues		69,486,420		82,031,729
Total operating revenues		3,019,816,589		3,748,608,760
OPERATING EXPENSES:				
Instruction		1,402,071,908		1,364,312,495
Research		1,039,622,121		988,835,162
Public service		521,599,010		548,915,818
Academic support		523,810,542		480,873,389
Student services		321,421,560		300,187,128
Institutional support		543,979,557		556,951,930
Operation and maintenance of plant		402,000,372		402,662,215
Scholarships and fellowships		140,286,806		119,837,448
Auxiliary enterprises:				
Residential facilities		183,366,454		180,250,467
Dining facilities		114,609,952		123,133,350
Intercollegiate athletics		137,741,720		145,198,019
Bookstore		14,773,008		16,393,630
Parking facilities		34,040,611		35,699,965
Other auxiliary enterprises expenses		138,835,403		140,094,560
Total operating expenses		5,518,159,024		5,403,345,576
Operating loss		(1,898,342,435)		(1,654,736,816)
NONOPERATING REVENUES (EXPENSES)				
State appropriations		1,493,671,878		1,398,073,778
Pell grants		167,411,653		167,702,482
Other nonoperating grants		83,587,145		
Gifts		53,210,506		48,647,832
Investment income	87,459,419		80,677,254	
Less: investment expense	(1,323,876)	86,135,543	(1,263,921)	79,413,333
Interest on indebtedness		(41,172,924)		(42,630,462)
Other revenues, (expenses), gains and (losses)		(11,969,271)		14,027,435
Total nonoperating revenues		1,830,874,530		1,665,234,398
Income (loss) before other revenues		(67,467,905)		10,497,582
OTHER REVENUES:				
Capital appropriations		172,302,652		244,478,467
Capital gifts and grants		22,893,213		28,307,336
Additions to permanent endowments		868,951		711,073
Total other revenues		196,064,816		273,496,876
Increase in net position		128,596,911		283,994,458
Net position - beginning of year		6,752,883,463		6,468,889,005
Net position - end of year		\$ 6,881,480,374		\$ 6,752,883,463



Financial Snapshot
As of June 30, 2020 Compared with 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
From the June 30, 2020 and 2019 preliminary financial statements		
USM unrestricted net position	\$ 1,198,677,071	\$ 1,289,908,203 B
Net pension liability and deferred balances	995,302,563	899,083,406 E
USM accrued leave	275,128,227	227,508,758 F
Affiliated foundations unrestricted net assets	<u>147,986,377</u>	<u>157,682,929</u>
Available funds	<u><u>\$ 2,617,094,238</u></u>	<u><u>\$ 2,574,183,296</u></u>
Debt outstanding	\$ 1,201,626,780	\$ 1,303,513,443 G
Ratio of available resources to debt outstanding per financial statements	218%	197% H
Claims against the June 30 available resources not reflected in financial statements:		
Available funds per financial statements	\$ 2,617,094,238	\$ 2,574,183,296
Cash-funded capital projects not fully spent at June 30,	(242,236,277)	(342,575,955)
Future years cash-funded capital projects committed but not yet authorized	(358,621,000)	(212,361,000)
Noncapital cash-funded projects not yet authorized	<u>(44,474,515)</u>	<u>(73,909,631)</u>
Adjusted available funds	<u><u>\$ 1,971,762,446</u></u>	<u><u>\$ 1,945,336,710</u></u>
Debt outstanding per financial statements	\$ 1,201,626,780	\$ 1,303,513,443
Revenue bond-funded projects authorized but debt not yet issued	<u>352,751,640</u>	<u>167,679,138</u>
Adjusted total debt outstanding	<u><u>\$ 1,554,378,420</u></u>	<u><u>\$ 1,471,192,581</u></u>
Ratio of available resources to debt outstanding, adjusted	127%	132% I

While rating agencies base their assessments based on financial statement balances, the System manages the ratio of available funds to debt outstanding to not fall below 1:1 ratio to ensure that financial health does not fall below medians for Aa1 rating category.



**Preliminary Financial Statements
Years ended June 30, 2020 and 2019**

Key points associated with FY 2020 preliminary financial statements:

1. The total net position increase of \$128M (**A on Statements of Net Position**) is comprised of a decrease of \$91M in unrestricted net position (**B on Statements of Net Position**), \$212M increase in net invested in capital assets (**C on Statements of Net Position**) and \$7M increase in restricted net position.
2. The decrease in unrestricted net position reflects an increase from operating activities of \$128M offset by cash-funded spending on capital projects of \$124M and \$95M in additional expense per the allocation of the pension liability (see point #5)
3. The financials reflect the impact of COVID-19 on the System with the return of a little more than \$115M in student fees and \$124M in forgone revenue related to other auxiliary activities (athletics, conferences, and other activities).
4. Institutions were awarded the \$182.5M in CARES Act Funds; of which \$106.7M is direct funding from the Department of Education and \$75.8M in pass-through funding from the State. \$83.4 in CARES Act funds are recognized as 'other nonoperating grants' revenue in FY20 (**D on Statements of Revenues, Expenses and Changes in Net Position**).

CARES Act Funds (in millions)	Total	FY20	FY21
Student Aid	\$40.3	\$28.5	\$11.8
Institutional	40.3	28.5	11.8
HBCUs/Minority Serving Institutions	26.1		26.1
COVID/Public Safety (State)	75.8	26.4	49.4
Total	\$182.5	\$83.4	\$99.1

5. The net pension liability and related deferred balances at June 30, 2020 and 2019 is \$995M and \$889M, respectively (**E on Statement of Net Position**). The net impact of pension related adjustments not including required contributions is an additional expense of \$95M in FY20, compared to \$115M in FY19.
6. The final complete set of financial reporting will include the basic financial statements of the University System of Maryland, but also affiliated, separately governed organizations that are recognized as affiliated entities. In the past, the System's financial statements have included 19 organizations based solely on the affiliation status and without consideration of the size of the organization or nature of its relationship with the System. Since the accounting requirement was first adopted in 2003, the System has granted affiliated foundation status to several additional, relatively smaller, organizations, mostly entities created to do economic development activities. Accounting guidance related to the subject indicates that the 'provisions need not be applied to immaterial amounts. As permitted by GASB reporting guidance, beginning with the FY20 financial statements the System will limit the affiliated entities included to those organizations that have a strong interdependent relationship and are material in size. Institution fund raising entities as

well non-fundraising entities with assets of more than \$10M will be included in the Systems reporting entity. A total of 8 affiliated entities, representing \$33.5M in total assets or 1.5% of total Component Unit assets will no longer be included as part of the reporting entity.

These 8 affiliated foundations that are being removed from the System's financial statement reporting, along with the 11 entities that will continue to be included as part of the System's reporting entity are all subject to the Board of Regent's Policy on Affiliated Foundations. Their audited financial statements along with other compliance documents will be continued to be reviewed and the status reported to the Audit Committee annually.

7. As shown on the 'Financial Snapshot', the financial statements report the key Balance Sheet strength ratio used by the rating agencies. Balance Sheet strength, defined as the ratio of 'available resources' (USM unrestricted net position + unfunded pension amounts + accrued leave liability + affiliated foundation unrestricted net assets) to debt outstanding, is 198% at June 30, 2019 compared to 217% at June 30, 2020 **(H on Financial Snapshot)**. This improvement is largely due to the System not issuing any new revenue bonds in FY20.

Adjusting for Board-approved commitments and authorizations to spend not yet reflected in the financial statements, FY20 resulted in a slight decrease in overall in 'true' financial standing, with the ratio of available resources to debt outstanding on an adjusted basis, changing from 132% in FY19 to 127% in FY20 **(I on Financial Snapshot)**.

FY2020 Preliminary Financial Statements

Audit Committee, October 30, 2020



Agenda

- FY20 Financial Results
- Impact of the Pandemic
- Component Units
- Other Significant Financial Statement Changes and Transactions
- Status of the Audit

FY20 Financial Results

Original financial plan for FY20 was to increase fund balance through the fund balance goal of \$38M.

Preliminary financial statements report a decrease in unrestricted fund balance of \$91.2M

FY20 Financial Results

Components of change in unrestricted net position	\$
Results of operations	\$250M
Pandemic lost revenues and associated costs	(240M)
Cash spending on capital projects	(124M)
Impact of state pension allocation	(95M)
CARES Act funding	83M
HelioCampus sale reported gain	35M
Reported change in unrestricted net position	(\$91M)

Impact of the Pandemic

March 2020

- In person classes cancelled, remote learning began
- All spring sports cancelled, including basketball championship games
- Regents approved partial refund of student fees
- Financial impact approximately \$240M

Impact of the Pandemic, continued

Breakdown of impact of pandemic on revenue	\$
Refunds to students for housing and other fees	\$116M
Federal contracts and grants losses	37
Curtailed auxiliary operations revenue losses	24
Other contracts and services (UMB and UMGC)	29
Summer school and other educational programs	19
ICA Conference revenues, canceled games	5
Public Private Partnership loss of ground rent	4
Other	6
Total net revenue / expense impact	\$240M

Impact of the Pandemic, continued

Coronavirus, Aid, Relief and Economic Security (CARES) Act

- Provided \$182.5M, in resources to the institutions and students beginning in April 2020.
- \$83.4 of the \$182.5M was recognized as revenue in the FY20 financial statements, the \$99.1 balance will be recognized in FY21.

Impact of the Pandemic, continued

- Higher Education Emergency Relief Fund
 - Student Aid (\$40.3M) – Provides students with emergency financial aid grants
 - Institutional (\$40.3M) – Provides funds to cover any costs associated with significant changes to the delivery of instruction due to coronavirus. Funds can also be used to provide aid to students.
 - HBCUs/Minority Serving Institutions (\$26.1M) – Funds can be used to provide aid to students eligible for Federal financial aid, defray institutional expenses
- Assistance for State, Local and Tribal Governments
 - COVID/Public Safety (\$75.8M) – pass through funding from the State to cover expenditures incurred due to public health emergency with respect to COVID 19

Component Units

- The System has 19 affiliated foundations
 - 9 fundraising entities
 - 10 non-fundraising entities
- Component Units of the System are subject to Board of Regent Policy on Affiliated Foundations. The following is provided to the audit committee on an annual basis:
 - Summary of financial statements
 - Status of compliance with Board policy
- Financial reporting guidance allows institutions to consider materiality in determining which affiliated foundations are included in its reporting entity.
- Starting in FY2020, USM reporting entity will include traditional fundraising and material non-fundraising entities
 - Material defined as total assets greater than \$10M (10 entities)
 - 9 entities will no longer be included in the reporting entity represent 1.5% of total component unit assets. **No change in compliance reporting requirements.**

Component Units

Going forward the System is working on:

- Revising the Affiliated Foundation policy; establish a separate policy for non-fundraising foundations
- Resolving financial issues and determining the ongoing role of the following Affiliated Foundations within the System:
 - Maryland Hawk Corporation (UMES)
 - Robert H Smith School of Business Foundation, Inc. (UMCP)

Other Significant Financial Statement Changes and Transactions

Hospital Expense –

UMB is now reporting approximately \$224M of clinical services provided to hospitals as Public Service expense rather than Hospital expense

Helio Campus –

UMUC Ventures, a blended component unit of UMGC, sold a controlling share of Helio Campus. Proceeds of \$16M are invested in USMF for the benefit of UMGC.

Status of the Audit

- The final audit report will be presented at the December meeting.
 - Includes: the auditor's opinion, management's discussion and analysis, note disclosures and financial statements of the affiliated foundations and supplementary financial statements for each of the USM institutions.
- USM is currently:
 - Compiling financial statements of component units
 - Preparing note disclosures
 - Finalizing basic financial statement totals including component units to provide the State so that USM's information to be included in State's Comprehensive Annual Financial Report
- Auditors are:
 - Reviewing statements and note disclosure,
 - Completing final audit procedures and
 - Completing due diligence

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

TOPIC: Review of Presidents', Chancellor's and Regents' Financial Disclosure Forms

COMMITTEE: Audit

DATE OF BOARD OF REGENTS MEETING: October 30, 2020

In accordance with Md. Education Code Ann. §12-104(p), the Board of Regents (BOR) Bylaws and the BOR Committee on Audit's Charter, the Office of Internal Audit has completed its review of calendar year 2019 financial disclosure statements from the University Presidents (Attachment A), the Chancellor (Attachment A) and the Board of Regents (Attachment B). This review did not identify any disclosures that appeared inappropriate.

The following subjects make up the reporting requirements, which are also summarized attachments A and B. There are no sections I through W.

Schedule A: Real Property (This section is not required to be completed by the Regents)

You must disclose:

1. Property owned directly, both commercial and residential
2. Property leased or rented as a tenant, both commercial and residential
3. A place of residence without formal agreement, if you provided any monetary contributions to the household
4. Property owned jointly or through a partnership, limited liability partnership, or limited company in which you held an interest

Schedule B: Securities (This section is not required to be completed by the Regents)

You must disclose:

1. Shares of stock you own directly or as a part of an Individual Retirement Account (IRA), including a Roth IRA
2. Bonds issued by corporate entities
3. Mutual funds and exchange-traded funds (ETFs), ONLY IF they consist primarily of holdings and stock interests in a specific sector regulated by your governmental unit

Schedule C: Ownership in Business Entities

You must disclose ownership in a:

1. Corporation
2. Partnership
3. Limited liability partnership (LLP) (Limited Liability Partnership)
4. Limited liability company (LLC) (Limited Liability Company)
5. Sole proprietorship

Schedule D: Gifts

You must disclose gifts with a value of more than \$20, or multiple gifts from the same donor if the gifts had a cumulative value of \$100 or more. Include gifts from:

1. A regulated lobbyist;
2. An entity engaged in activity regulated or controlled by the State;
3. An entity that otherwise did business with the State

Schedule E: Debts and Liabilities

You must disclose:

1. Debts you owe to entities, if they did business by sales, purchases, contract or lease of at least \$5,000 with your governmental unit during the reporting period.
 - Typical debts to report are installment loans, mortgages, car loans or other time-fixed liabilities owed to financial institutions such as banks, credit unions, mortgage companies and similar entities
 - Other reportable debts could include those owed to other entities, including merchants, contractors, etc.
2. Debts you owe to entities if the entity was regulated by your governmental unit *Example: Department of Labor, Licensing, and Regulation (DLLR) filers must disclose mortgages owed to financial institutions regulated by the Commissioner of Financial Regulation as that Office is within DLLR.*
3. Debts you owe to regulated lobbyists
4. Debts your spouse owes, ONLY IF you were involved in the transaction that gave rise to the debt
5. Debts your dependent children owe, ONLY IF you were involved in the transaction that gave rise to the debt

Schedule F: Employment and Offices Held

You must disclose:

1. Any outside employment where you earned a salary, WHETHER OR NOT your employer did business with the State
2. Any unsalaried positions you held, such as an officer or director of a for-profit or not-for-profit organization, but ONLY IF the entity did business with the State

Schedule G: Spouse

You must report each place of salaried employment held by your spouse during the reporting period, WHETHER OR NOT your spouse's employer did business with the State. You must also report unsalaried offices, directorships, or similar positions for your spouse with any entity that did business with the State. You must also report any solely or partially owned business from which your spouse earned income.

Lobbying Disclosure: If your spouse was a regulated lobbyist with the State during the reporting period, you must also identify each client that engaged your spouse for lobbying purposes.

Schedule H: Dependent Children

You must report each place of salaried employment held by your dependent children during the reporting period, subject to the conditions below. You must also report unsalaried offices, directorships, or similar positions for your dependent children with any entity that did business with the State. You must also report any solely or partially owned business from which your children earned income.

The statement may not include a minor child's employment or business interests unless the employment or business interests are with:

1. The State;
2. An entity regulated by your governmental unit;
3. An entity that has contracts in excess of \$10,000 with your governmental unit

Schedule X: Other

Schedule X is an optional schedule if you have other interests or transactions that have not been disclosed on the previous schedules and which you feel should be disclosed. This is also the chance to add more explanation or clarification to any of your responses on other schedules.

If you served as a member of a State board or commission during the reporting period, please list the name of that board or commission.

(Attachments)

FISCAL IMPACT: Uncertain

CHANCELLOR'S & COMMITTEE ON AUDIT'S RECOMMENDATION:

BOARD ACTION none

DATE:

SUBMITTED BY: COMMITTEE ON AUDIT

The University System of Maryland
Office of Internal Audit
Summarized Review of State Ethics Commission Financial Disclosures - USM Presidents & Chancellor
Calendar Year 2019

		Disclosure Sections								
		A	B	C	D	E	F	G	H	X
		Property - Mortgage	Securities	Business Ownership	Gifts	Debts & Liabilities	Employment and Offices Held	Spouse	Dependent Children	Other
Dr. Aminta H. Breau		Y	Y	N/A	N/A	N/A	Y	N/A	N/A	N/A
Dr. Kim Schatzel		Y	Y	N/A	Y	N/A	Y	Y	Y*	N/A
Dr. Mickey Burnim		Y	Y	Y	Y	Y	N/A	N/A	N/A	N/A
Dr. Evelyn Thompson		Y	N/A	N/A	Y	Y	N/A	N/A	N/A	N/A
Dr. Ronald Nowaczyk		Y	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
Dr. Charles Wight		Y	Y	Y	N/A	Y	N/A	Y	N/A	Y
Hon. Kurt Schmoke		Y	Y	N/A	N/A	Y	N/A	Y	N/A	Y
Dr. Jay Perman		Y	N/A	N/A	N/A	Y	Y	N/A	N	Y
Dr. Freeman Hrabowski		Y	Y	N/A	N/A	Y	Y	Y	N/A	Y
Dr. Wallace Loh		Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Heidi Anderson		Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Javier Miyares		Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Peter Goodwin		Y	Y	N/A	N/A	N/A	Y	Y	N/A	Y
Dr. Bruce Jarrell		Y	Y	N/A	N/A	N/A	Y	N/A	N/A	N/A
Dr. Darryll Pines		Y	Y	Y	N/A	Y	Y	Y	N/A	N/A
Dr. Anthony Jenkins		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Robert L. Caret		Y	Y	Y	N/A	Y	N/A	N/A	N/A	Y

Y = Included a Disclosure(s)

N/A = No Disclosure was Made

Y* = Daughter is a Graduate Assistant (part-time contingent employee) who is also a full-time graduate student at TU.

Auditor's Note - There were no inappropriate conflicts of interests or inappropriate disclosures identified in any of the forms reviewed.

Auditor's Note 2 - There are no sections I - W in the Financial Disclosure Form

**The University System of Maryland
Office of Internal Audit
Summarized Review of State Ethics Commission Financial Disclosures - USM Presidents
Calendar Year 2019**

		Disclosure Sections								
		A	B	C	D	E	F	G	H	X
		Property - Mortgage	Securities	Business Ownership	Gifts	Debts & Liabilities	Employment and Offices Held	Spouse	Dependent Children	Other
D'Ana E. Johnson		N/A	Y	N/A	N/A	N/A	N/A	Y	N/A	N/A
Linda R. Gooden		N/A	Y	N/A	N/A	N/A	Y	N/A	N/A	N/A
Gary Lee Attman		Y	Y	N/A	N/A	Y	Y	Y	N/A	N/A
Andrew J. Bartenfelder		Y	Y	Y	N/A	Y	Y	N/A	N/A	N/A
Ellen Rafferty Fish		N/A	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
Goefrey J. Gonella		N/A	N/A	Y	N/A	N/A	Y	Y	N/A	Y
Barry P. Gosset		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Michelle Gourdine		N/A	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
James N. Holzapfel		N/A	N/A	N/A	N/A	N/A	Y	N/A	N/A	N/A
Isiah Leggett		Y	Y	Y	N/A	N/A	N/A	N/A	N/A	Y
Sam Molhotra		N/A	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
Meredith Mears		N/A	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
Robert R. Neall		Y	Y	Y	N/A	Y	Y	Y	N/A	Y
Louis M. Pope		N/A	N/A	Y	N/A	Y	Y	N/A	N/A	N/A
Robert D. Rauch		Y	Y	Y	N/A	Y	Y	Y	N/A	N/A
Kelly M. Schulz		Y	N/A	N/A	N/A	N/A	N/A	Y	N/A	N/A
Drew M. Needham		N/A	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A
William T. Wood		N/A	N/A	N/A	N/A	N/A	Y	N/A	N/A	N/A

Y = Included a Disclosure(s)
N/A = No Disclosure was Made

Auditor's Note - There were no inappropriate conflicts of interests or inappropriate disclosures identified in any of the forms reviewed.
Auditor's Note 2 - There are no sections I - W in the Financial Disclosure Form



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: October 30, 2020

Since the Committee's December meeting, the Office of Legislative Audits (OLA) has not published any reports of USM institutions:

OLA Reports since the Committee's June 3, 2020 meeting:

- Towson University (Attachment A); and
- Frostburg State University (Attachment B).

OLA Engagements Currently Active:

- University of Maryland College Park;
- Bowie State University; and
- The University of Baltimore.

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 Final Report on Towson University

The Office of Legislative Audits (OLA) issued its final report on Towson University (TU) in August 2020. OLA noted three audit findings, none are IT/IS related. The findings are summarized as follows:

Finding 1: TU did not comply with State law and USM *IT Security Standards* by requiring and obtaining a control assessment report, such as a SOC 2 Type 2 report, to ensure sensitive student information maintained by vendor BankMobile is properly safeguarded. BankMobile is responsible for processing student refunds.

Finding 2: TU did not independently verify the propriety of student refunds to ensure all charges relating to student payments returned by the bank due to insufficient funds are posted back to the student accounts. Also, TU should ensure that all holds removed from student accounts are subject to independent review and approval.

Finding 3: TU should segregate user access capabilities for critical financial aid functions in a manner that ensures a proper segregation of duties. Two users were identified who could make adjustments to the application data and financial aid awards and were also responsible for ensuring that financial aid data, including award amounts, were properly posted to student accounts.

Attachment B

Summary Analysis of Findings in OLA's Final Report on Frostburg State University

The Office of Legislative Audits (OLA) issued their final report for their audit of Frostburg State University (FSU) in August 2020. OLA notes five findings, two of which are IT/IS related. The findings are summarized as follows:

Finding 1: Contracts and Disbursements - FSU did not document that the use of certain contracts procured by other entities (COOPs) was in the best interest of the State or that the contracts had been properly procured by those entities, as required by USM Board of Regents' policy. [FSU disagrees with this finding to document the use of COOPs. This is not required by policy and considers their use as inherent as in the best interest of the State].

Finding 2: Contracts and Disbursements - FSU did not have a formal agreement (MOU) with UMCP for construction management services being provided and did not receive sufficient documentation to ensure the propriety of amounts invoiced for those services. Note: The MOU was obtained in November 2019 when brought to FSU's attention.

Finding 3: System Access - FSU did not ensure that user access capabilities in its financial management systems were adequately restricted to prevent improper transactions. OLA identified several system users who were assigned access to critical financial aid capabilities that resulted in an inadequate segregation of duties. (Repeat finding.)

Finding 4: Bookstore - FSU did not independently verify that all bookstore collections were deposited and related refunds were proper. OLA notes that the verification of recorded collections to deposits was performed using the deposit slip prior to the deposit being made and therefore did not provide any assurance as to the proper disposition of the funds. In addition, three employees responsible for reviewing refunds for propriety also had the ability to process refunds on the FSU cash register system.

Finding 5: IT/IS Security - Security event logging for the production PeopleSoft Campus Solutions SQL Server 2014 database was inadequate. Gaps in FSU's logging procedures arose after updates to the PeopleSoft Campus Solutions database, application software and the supporting server. As a result, significant database security and audit events could have occurred and gone undetected, permitting unauthorized or inappropriate activities to adversely affect the integrity of the PeopleSoft Campus Solutions production database.

FSU Conveyed that corrective action will be implemented by March 2020.



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: October 30, 2020

SUMMARY:

See Attachment: Listing of Open Action Items From 2018 – 2020 Audit Committee Meetings.

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 - 2020 Audit Committee Meetings
 30-Oct-20

Action ItemStatus**From June 2020 Audit Committee Meeting**

1.	Regularly update the Audit Committee of the IT Security Environment	Update included in the October 30, 2020 meeting.
2.	Complete review of financial disclosures (Presidents, Chancellor and Regents)	Results included in the October 30, 2020 meeting.
3.	Mr. Mosca will follow up with grants accounting at UMB and UMBC regarding performing reviews to identify "rouge" grants.	Completed June 2020.
4.	Update audit committee on scope limitations and audit scheduling modifications resulting from distance work environment.	Update included in the October 30, 2020 meeting.

From March 2020 Audit Committee Meeting

1.	Establish update process to monitor progress of correcting A133 Repeated Audit Findings - CSU and UMES	Update included in June 3, 2020 meeting.
2.	Review IT/IS security policies for using personal equipment in teleworking.	Discussion included in the June 3, 2020 meeting.

From December 2019 Audit Committee Meeting

1.	Include a footnote to provide clarity of "Other Expense line item in Combining Statement of Activities	Will be included with FYE 2020 financial reporting.
2.	Include Audit of FSU's Student Affairs Director's Financial and HR Activities	Added Internal Audit's 2020 plan of activity.

From October 2019 Audit Committee Meeting

1.	Include ongoing discussion of Foundation Policy Development and Oversight at each FY 2020 Audit Committee meeting. Get Presidents' input.	First update included with Audit Committee's 12/18/2019 meeting. Second in March meeting. Postponed in June 2020 meeting. Update in October 2020 meeting.
2.	Universities shall submit their ERM plan of implementation to the Audit Committee and annual produce risk dashboards. Contact UMB's Department of Health as a resource for implementing ERM. Internal Audit should audit implementation of ERM.	Plan's are due in the Spring of 2020 and implementation by July 2021. Internal Audit will incorporate ERM implementation audits in 2021. Audit Committee will be regularly updated.
3.	Invite internal audit staff to future meetings.	To be completed at December 2019 and March 2020 meetings (March visits moved to future date.)

Note: Action items concluded prior to the June 2020 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:** October 30, 2020**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.

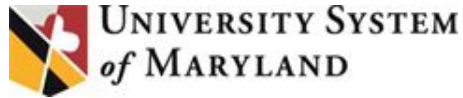
COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE: 6-3-2020

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



STATEMENT REGARDING CLOSING A MEETING
OF THE USM BOARD OF REGENTS

Date: October 30, 2020
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.

FORM OF STATEMENT FOR CLOSING A MEETING

PAGE TWO

- (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 2020 internal audit plan of activity; and the committee meeting separately with the independent auditors and the director of internal audit.

REASON FOR CLOSING:

- 1) 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));
- 2) To maintain confidentiality of discussions of ongoing investigations by the USM Office of Internal Audit's and outside agencies, which potentially could result in criminal prosecutions (§3-305(b)(12));
- 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 2020 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 meetings with the independent auditors and the Director of Internal Audit (§3-103(a)(1)(i)).