

**BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE**

**REPORT SUMMARY**  
*(See appendix for supporting materials)*

**Date of Meeting:** October 13, 2016

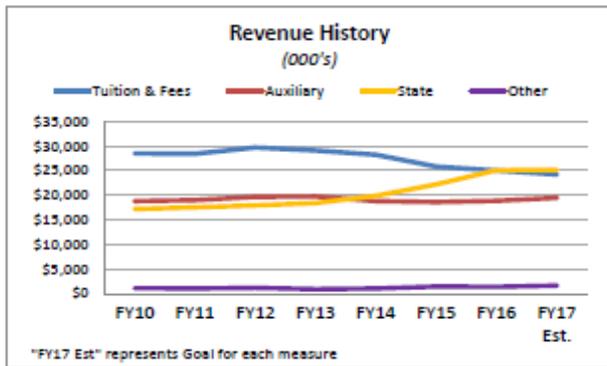
**Date of Next Meeting:** TBD

**Committee Chair:** John Wobensmith '93

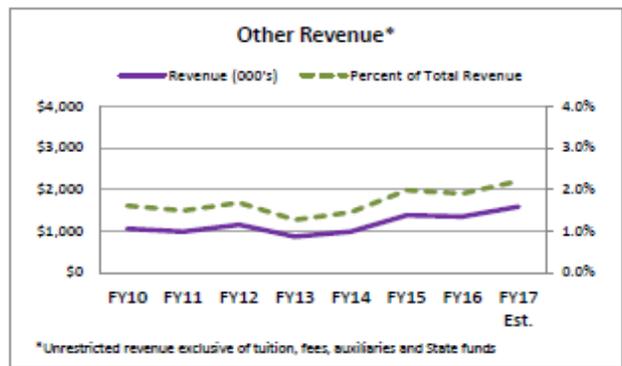
**Committee Members:** Lex Birney, Donny Bryan '73, Sven Holmes, Mike O'Brien '68, Katharine Russell

**Staff Member:** Chip Jackson

**Dashboard Metrics:**



<b>Trend:</b>	Tuition/Fees	Auxiliary	State	Other
	↓	→	↗	↗



<b>Trend:</b>	Other Revenue
	↗

**Executive Summary:**

FY16 Operating Budget Closing and Status of Financial Statement Audit

FY16 closed on June 30, 2016. Review and adjustments for year-end activity are complete and financial statement drafts are currently undergoing final review. We remain on schedule with the audit tasks. Audited statements are to be presented to the Finance, Investment, and Audit Committee for review in December.

Actual operating results are a surplus of \$2.0 million including \$2.2 million in rollovers to FY16. This result is about \$4.2 million better than expected, resulting from revenue above budget \$1.194 million, payroll savings \$521 thousand exclusive of unfunded pension adjustments, utilities \$480 thousand, scholarships \$571 thousand, encumbered items totaling \$722 thousand and other miscellaneous unspent budgets.

Compensation Plan

The development of a Compensation Plan has continued over the past several months. An Ad Hoc Compensation Committee, and separate faculty and staff working groups, are developing recommendations to

the President to establish guidelines for wage allocations for FY17, to be effective January 1, 2017, and for the future. For both faculty and staff (non-bargaining), FY17 recommendations are intended as interim measures to begin addressing merit and market wage issues while fuller plans are put in place for FY18.

IT Infrastructure / Enterprise Resource Planning System (ERP)

The College last year received one-time funding from the State totaling \$2.74M to modernize our wired and wireless network architecture and upgrade our ERP (Enterprise, Resource, and Planning). The wired and wireless upgrade has been completed, bringing secure wireless capability to all academic and administrative buildings while greatly improving coverage, capacity and bandwidth.

Planning for the ERP project planning is underway to replace the Jenzabar CX solution that has served the campus for 18 years. The College is currently developing the RFP and will begin the process of selection this Fall followed by an anticipated contract award date after the start of the Spring 2017 semester. Implementation and conversion will take approximately two years after award.

State of Maryland Audit (Department of Legislative Services)

The Department of Legislative Services (DLS) completed the 3-year audit for the period 7/1/2012 thru 8/23/2015. The final audit report was issued in August 2016 and is provided to the committee for informational purposes. The report noted five findings, three related to information technology, one in the business office and one in human resources. College responses as to how the findings are being addressed are included within the materials.

Expanding Revenue

Overall, revenue from other sources (revenue excluding tuition and fees and State appropriations) are projected to increase in FY17 by \$234 thousand over the FY16 budget from a variety of sources. The faculty/staff housing program initiated this fall has been a success with leases in place for all 8 possible units including bedrooms in 2 HSMC houses and the Howard property.

Dashboards

Dashboards provided reflect current and relevant data with regard to student characteristics in enrollment, student retention and persistence, revenue, and fundraising.

Joint Investment Activities

The Foundation continues to work with JP Morgan to manage endowed funds. As of June 30, 2016 the endowed funds held within JP Morgan totaled \$28.4m as compared to \$30m on July 1, 2015. On a fiscal year basis, the net year to date decrease in market value of \$1.6 million includes \$706k in contributions, \$537k in income, \$1.08m decrease in investment value, and \$1.76m of withdrawals.

**Action Item(s) related to specific strategic plan goals as appropriate:**

Revision of the FY17 Current Fund (Operating) Unrestricted Budget

The proposed revision to the FY17 current fund budget incorporates carry-forward authorization for \$3,589,802 encumbered but not expended as of June 30, 2016 and to support initiatives.



**Reconciliation of the FY 17 Plant (Capital) Budget**

FY16 plant fund activity is reconciled to the end of the fiscal year and new projects approved in July 2016 are added. The FY17 active project budget totals \$3,378,104. The projected unencumbered plant fund balance is \$1.6 million.

**2016 Performance Accountability Report**

The Performance Accountability Report (PAR) is required by the State of Maryland to assess the College's progress on a variety of goals and objectives including academics, enrollment, retention and graduation, financial aid, and student outcomes. The report provides data on specific metrics as well as narrative describing strengths and challenges. Maryland law requires institutions to submit their PAR to the Maryland Higher Education Commission for review, and final submission to the Governor and General Assembly.

**Financial Conflict of Interest Policy and Procedures in Sponsored Research**

St. Mary's College of Maryland is required to implement and comply with various regulations when federal funding is sought (grants and sponsored research). The purpose of this Policy is to comply with National Science Foundation provisions and Public Health Service regulatory requirements.

**Art Deaccession**

Ms. Mary Jane Rowe, daughter of late faculty member and artist William Thomas Rowe, has requested that the painting entitled *Vale* be returned to the family. The painting was gifted to the College in 2004. Under the College's Collection Management Plan, the Board of Trustees must approve the deaccession of any art from the collection.

**Committee Action Taken/Action in Progress:**

--

**Recommendation to the Board:**

--

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016**

**AGENDA**

**I. DISCUSSION ITEMS**

- A. FY16 Operating Budget Closing and Status of Financial Statement Audit
- B. Compensation Plan Update
- C. IT Infrastructure / Enterprise Resource Planning System (ERP)
- D. State of Maryland Audit (Department of Legislative Services)
- E. Expanding Revenue
- F. Dashboards

**II. ACTION ITEMS**

- A. Revision of the FY17 Current Fund (Operating) Unrestricted Budget
- B. Reconciliation of the FY 17 Plant (Capital) Budget
- C. 2016 Performance Accountability Report
- D. Financial Conflict of Interest Policy and Procedures in Sponsored Research
- E. Deaccession of Artwork (Vale Painting)

**III. INFORMATION ITEMS**

- A. Minutes from Meetings of May 12, 2016 and July 18, 2016
- B. Reportable Procurement Items
- C. Joint Investment Activities

The Committee does not expect to close any portion of this meeting.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
DISCUSSION ITEM I.A.  
FY16 CLOSING AND STATUS OF FINANCIAL STATEMENT AUDIT**

*Please note that these figures are preliminary and un-audited.*

The College fiscal year 2016 (FY16) closed on June 30, 2016. Review and adjustments for year-end activity are complete. The entrance interview with SB and Company took place on August 8, 2016, field work started September 12 and is complete. Drafts of the financial statements are currently undergoing final review. We remain on schedule with the audit tasks. The audited statements are to be presented to the Finance, Investment, and Audit Committee for review in December.

The FY16 budget was revised higher by (\$1.6 Million) in June 2016 to reflect increased state support for the technology projects to implement wireless networking and replace IT network equipment as well as other minor adjustments where revenues at least equaled expenditures. The revised budget maintained the planned deficit of \$2.2 million, which was the amount of rollover items from the previous year. In addition, FY16 year-end transfers were made to Quasi Endowment (\$0.35 million) and the Plant Fund (\$0.15 million).

Actual operating results are a surplus of \$2.0 million including \$2.2 million in rollovers to FY16, or a fully funded net change in financial position over the two years (FY15 & FY16). This result is about \$4.2 million better than expected, resulting from revenue above budget \$1.194 million, payroll savings \$521 thousand exclusive of unfunded pension adjustments, utilities \$480 thousand, scholarships \$571 thousand, encumbered items totaling \$722 thousand and other miscellaneous unspent budgets.

FY16 preliminary and un-audited results are expected to be final at this time. On a cash basis, Current Fund Unrestricted (CFU) Revenues of approximately \$70.3 million were greater than expenditures and transfers, totaling \$68.3 million by \$2.0 million. The all funds financial statement results on an accrual basis are \$1.831 million gain before state capital investment and a gain of \$16.24 million overall as shown in the attached draft Statement of Revenues, Expenses, and Changes in Net Position.

**BOARD OF TRUSTEES**  
**ST. MARY'S COLLEGE OF MARYLAND**  
**FINANCE, INVESTMENT, AND AUDIT COMMITTEE**  
**MEETING OF OCTOBER 13, 2016**  
**DISCUSSION ITEM I.A.**  
**FY16 OPERATING BUDGET CLOSING**  
**AND STATUS OF FINANCIAL AUDIT**

	FY16 Budget	FY16 ACTUAL	FY16 Actual to Budget	
<b>REVENUES:</b>				
Tuition & Fees	23,900,297	24,993,985	104.6%	
State Appropriations	25,116,000	25,107,174	100.0%	
Federal Grants & Contracts	41,250	11,438	0.0%	
State Grants & Contracts		0		
Private Gifts, Grants		0		
Endowment Income		0		
Sales/Serv Educ Dept	746,911	763,349	102.2%	
Sales/Serv Auxiliary Enter	18,530,855	18,872,547	101.8%	
Interest Income Other	549,333	298,107	54.3%	
Additions to Fund Balance - End. Incon	60,000	95,146		
Other Sources	171,800	168,705	98.2%	
<b>TOTAL CURRENT REVENUES</b>	<b>69,116,446</b>	<b>70,310,451</b>	<b>101.7%</b>	<b>1,194,005</b>
<b>EXPENDITURES</b>				
Instruction	20,471,923	20,124,801	98.3%	
Research	0	0		
Public Service	180,560	174,176	96.5%	
Academic Support	2,384,506	2,325,313	97.5%	
Student Services	6,026,124	6,715,009	111.4%	
Institutional Support	16,526,963	13,510,303	81.7%	
Operation & Maintenance	4,804,133	5,226,861	108.8%	
Scholarships & Fellowships	5,997,756	5,406,171	90.1%	
Auxiliary Enterprises	11,785,438	11,064,286	93.9%	
<b>TOTAL CURRENT EXPENDITURES</b>	<b>68,177,403</b>	<b>64,546,920</b>	<b>94.7%</b>	
<b>Transfers In (Out)</b>				
P & I Debt Requirements	3,207,938	3,207,938	100.0%	
Non Mandatory Transfers				
Transfer to Plant		150,000		
Transfer to Quasi		350,000		
Support to Other Departments	0	75,297		
	3,207,938	3,783,235	117.9%	
	71,385,341	68,330,155	95.7%	3,055,186
<b>Total Increase (Decrease) Fund Balance</b>	<b>(2,268,895)</b>	<b>1,980,296</b>		
Carry Forward from Prior Year	2,268,895			
Change over 2 years	0			

# Statement of Revenues, Expenses, and Changes in Net Position

I.A.

	2016	2015
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Student tuition and fees ( <i>less scholarships and waivers of 5,436,540</i> )	\$ 20,868,601	\$ 21,767,665
Grants and Contracts:		
Federal	2,007,078	2,740,736
State	233,094	145,813
Other	2,445,283	1,978,902
Sales and services	1,388,112	1,220,744
Auxiliary enterprises:		
Residence facilities, net of waivers of \$111,475	10,759,474	10,615,817
Dining services, net of waivers of \$45,454	6,078,446	6,098,573
Bookstore	1,489,224	1,546,272
Other auxiliary enterprises revenues	32,799	66,421
Other operating revenues	66,601	68,699
<b>Total Operating Revenues</b>	<b>45,368,712</b>	<b>46,249,642</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	20,790,525	20,521,820
Research	370,243	323,056
Public Service	183,371	52,182
Academic support	2,047,315	1,913,629
Student services	7,104,804	6,179,805
Institutional support	13,847,913	11,511,426
Operations of plant	8,650,028	8,709,067
Scholarships and fellowships	2,312,903	2,190,904
Auxiliary enterprises	12,774,209	12,787,486
<b>Total Operating Expenses</b>	<b>68,081,311</b>	<b>64,189,375</b>
<b>Operating Loss</b>	<b>(22,712,599)</b>	<b>(17,939,733)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	25,107,174	22,221,538
Gifts and grants	109,291	-
Other transfers	-	(34,882)
Investment gains and losses	342,325	247,061
Interest income	289,264	262,610
Interest on indebtedness	(1,304,523)	(1,346,617)
<b>Net Non-Operating Revenues</b>	<b>24,543,531</b>	<b>21,349,710</b>
Gain (loss) before other revenues, expenses, gains, or loss	1,830,932	3,409,977
Other revenues, expenses, gains and losses:		
Capital state appropriation	14,411,709	8,184,728
Net increase in net position	<b>16,242,641</b>	<b>11,594,705</b>
<b>NET POSITION</b>		
Net position, beginning of year	126,482,481	123,975,473
Change in accounting principle	-	(9,087,697)
<b>Net Position, End of Year</b>	<b>\$ 142,725,122</b>	<b>\$ 126,482,481</b>

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
DISCUSSION ITEM I.B.  
COMPENSATION PLAN - UPDATE**

**Background:**

The College is in the process of developing a comprehensive Compensation Plan to guide allocation of wage increases in FY17 and beyond. The primary goal of the Compensation Plan is to develop a framework consistent with the Strategic Plan Goal to attract and retain faculty and staff. Specifically, the Compensation Plan will provide fair wage increases to employees with satisfactory performance, award merit increases to reduce market gaps that effect retention, and provide funds for promotions/career progression milestones (staff and faculty).

The Strategic Plan calls for reducing the wage gap between SMCM faculty and non-bargaining staff and the peer median by 50% after three years, contingent on stable College enrollment. The proposed compensation plan satisfies the Strategic Plan objective and does so within a merit-based system.

**Status:**

The development of a Compensation Plan has continued over the past several months. An Ad Hoc Compensation Committee, and separate faculty and staff working groups, are developing recommendations to the President to establish guidelines for wage allocations for FY17, to be effective January 1, 2017, and for the future. For both faculty and staff (non-bargaining), FY17 recommendations are intended as interim measures to begin addressing merit and market wage issues while fuller plans are put in place for FY18. Attached is the current draft of the Compensation Plan.

**Summary of Draft Recommendations:**

Staff (Non-Bargaining): Two-thirds of the wage pool will be allocated towards retention through a combination of merit and market factors. One-third of the wage pool will be allocated to Good Continuing Service for all staff achieving an acceptable performance rating. The merit component will be based on the current employee performance evaluation system for FY17, which will be revamped for FY18 and beyond to tie performance more closely to the College's strategic plan and developing unit plans.

Staff (Bargaining Unit): Negotiations on wages and possible merit increases are on-going.

Faculty: For FY17, one-third of the wage pool will be allocated towards merit based on a new interim faculty performance reporting instrument. Two-thirds will be allocated towards Good Continuing Service for all faculty achieving an acceptable performance rating. A more robust merit evaluation system will be developed over the coming months for use in future fiscal years.

**ST. MARY’S COLLEGE OF MARYLAND  
COMPENSATION PLAN  
Draft 10-13-16**

**Objective:**

St. Mary’s College recognizes that its success is tied to its ability to recruit, motivate, and retain the best-qualified employees who contribute to the goals and the mission of the institution. To that end, the College strives to offer competitive and attractive compensation that considers merit, market, and retention as important elements of a comprehensive compensation plan.

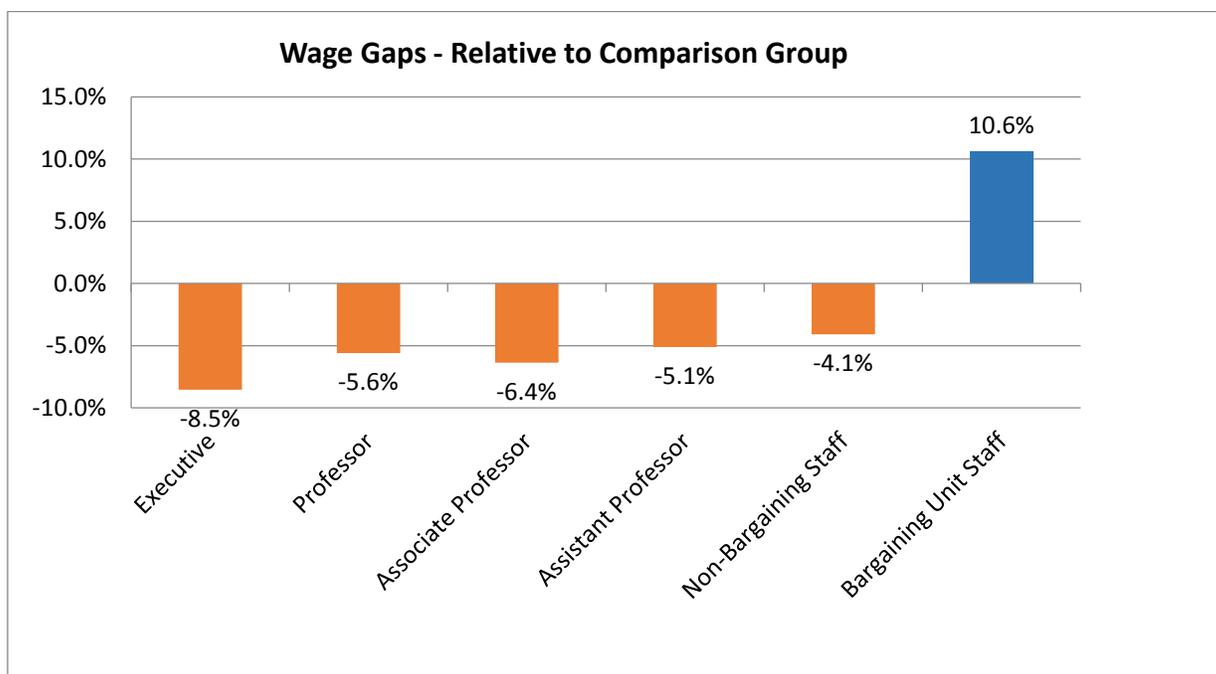
Specific goals include:

- Provide competitive compensation to recruit and retain highly-qualified employees
- Motivate improved performance through increased compensation
- Promote equity by linking performance to wages; the more one contributes the more they are compensated
- Maintain a consistent compensation philosophy

Consistent with the above, the College’s Strategic Plan calls for wage gaps to be reduced by 50% over the next three years. The FY17 Budget provides for wage increases, effective January 2017, as the first step toward reaching these goals.

**Background:**

Research demonstrates that, as a whole, faculty and staff wages are currently 5.7% behind the median of their comparable groups<sup>1</sup> (faculty = 5.7%; non-bargaining staff = 4.1%). Bargaining staff wages are 10.6% above the local market, the result of the College’s decision in 2008 to lead the local market area with highly competitive wages and benefits. Certain staff positions, however, are significantly below market.



## **Compensation Plan**

Consistent with the Strategic Plan objective to attract and retain faculty and staff, the Compensation Plan provides a multi-year budget framework to address three goals: provide fair wage increases to employees with satisfactory performance, award merit wage increases to reduce market gaps that effect retention, and provide funds for promotions and other milestone personnel actions (staff and faculty). The Strategic Plan calls for reducing the wage gaps between SMC faculty and non-bargaining staff and the peer median by 50% after three years, contingent on stable College enrollment. The proposed compensation plan satisfies the Strategic Plan objective and does so within a merit-based system.

The Compensation Plan calls for use of a *Performance Evaluation System* to determine each employee's contributions to the College and the employee's team/department. The system will consider the evaluation of the following:

- Performance-based objectives
- Goals: Pre-determined (measured outcomes of previous cycle become the primary input of the next cycle)

Based on these performance assessments, the Compensation Plan will allocate wage increases in three categories:

- **Good Continuing Service increases** whereby all faculty and staff, performing at an acceptable level, will share equitably in the allocated funds.
- **Retention increases (merit- and market-based)** whereby faculty and staff will receive compensation proportional to their merit and market rating. Specific means for determining retention increases for faculty and staff are provided below.
- **Promotion and career progression increases (merit-based)** whereby faculty and non-bargaining staff will be compensated for appropriate career milestones. For faculty, this includes the existing practice of three-year reviews, post-tenure reviews every five years, and upon promotion to associate professor and to full professor. Increases will be provided to staff upon promotion or job reclassification.

## **Recommendations:**

Staff (Non-Bargaining Unit): The following are recommendations of the staff compensation working group and endorsed by the Ad Hoc Compensation Committee:

- *Merit Determination:* Merit ratings will be based on annual performance evaluations that combine Management by Objectives (MBO) and a Graphic Rating Scale (GRS). MBO will allow goals relative to the College's Strategic Plan to be set and performance evaluated at the department and individual employee levels. GRS will encompass job performance factors.
  - For the allocation of FY17 wage increases effective January 1, 2017, merit increases will use the existing performance evaluation form.
  - For subsequent years, the performance evaluation form will be revised to a) incorporate goals that are aligned with the Strategic Plan and to b) update the Graphic Rating Scale.
- *Market Determination:* The Office of Human Resources conducts market analysis on each individual position to determine each staff member's wages relative to the

comparison group. For non-exempt staff, the comparison group is the College’s peer institutions. For exempt staff, the comparison group is the local market.

- *Compensation increases:* The majority of funds within the wage pool will be allocated to staff based on merit and market.
  - **Good Continuing Service Pool:** one-third of the wage pool will be allocated to Good Continuing Service. All employees receiving a performance rating of “Performed Well” or above will equally share, on a percentage basis, in the Good Continuing Service Pool.
  - **Retention (Merit/Market) Pool:** two-thirds of the wage pool will be allocated for the combination of merit and market. Awards will be on a percentage basis. Utilization of performance and benchmarking in determination of retention pay increases will be accomplished through a matrix structured so that employees with the highest merit and highest market gap receive the highest wage increase. The matrix shown below illustrates the intent of how retention pool will be allocated to achieve this goal.
  - **Promotions and Reclassifications:** In addition to the Pools above, a separate pool will be provided to support wage increases related to merit based promotions and reclassifications.

**Retention Wage Matrix (Non-Bargaining Staff)**

----- Percent Below Market\* ----->

<b>Performance Rating</b>	<b>&lt; 3%</b>	<b>3 - 8%</b>	<b>8 - 14%</b>	<b>&gt; 14%</b>
Failed to Perform	0	0	0	0
Performed Minimally	0	0	0	0
Performed Well	1	2	3	4
Performed Very Well	2	3	4	5
Performed Exceptionally	3	4	5	6

\* Relative to Comparison Group for given position

Note: The numbers in the above Retention Matrix are solely for illustrative purposes and not intended to represent an actual percentage of increase. A final distribution of wage increases per category will be determined based on funding availability and final establishment of both performance ratings and completed market analysis.

Staff (Bargaining Unit): The College and the AFSCME bargaining unit initiated wage negotiations in August and are scheduled to continue negotiations in late October. The College and the bargaining unit have discussed merit wages, but no agreement has been reached on any elements of future wage increases.

Faculty: The following is a summary of recommendations of the faculty working group and approved by the Faculty Senate. The full Faculty Senate recommendation is attached.

- *For FY17:* Distribute two-thirds of the wage pool as cost-of-living raises (Good Continuing Services) and one-third for a modified (interim) merit award.
  - Good Continuing Service: increases will be based on percentages.
  - Merit: the modified merit award for FY17 will consist of faculty submitting a template report to the Provost who forwards merit recommendations to the President. Merit awards are to be based on equal dollar amounts as a tiered supplement.
- *Market Adjustments:* overall progress towards addressing wage gaps will be accomplished collectively provided the overall wage pool allocated per the above is greater than the anticipated increase in wages of our peers.
- *Future (FY18+):* The Faculty Senate recommends the development a future Merit System occur during the current academic year for implementation in FY18. The attached report identifies key issues for consideration in development of the new Merit System.

Future Wage Increases: The specific methodology and amounts required for allocating wage increases will re-evaluated each year based on updated information (wage comparisons and fiscal resources), assessment of previous allocations, and strategic needs.

### **Senate Statement to the Ad Hoc Compensation Committee**

We, the members of the Faculty Senate, recommend to the Ad Hoc Compensation Committee that we delay the full implementation of a new faculty merit pay system until FY18 to allow time for meaningful faculty input in the development of this system. Meanwhile, for Fall 2016, we encourage the Administration to distribute two-thirds of the funds currently earmarked for salary adjustments to all faculty for the purpose of retention and cost-of-living raises as a percentage of faculty salary and the final one-third for a modified merit award as a flat rate tiered supplement for this year only. This modified merit award for Fall 2016 will consist of faculty filling out and submitting a template—developed by the Ad Hoc Faculty Merit Compensation Committee (specified below)—to the Provost by 1 November so that he may make merit recommendations to the President by 1 December. Distributing the available funds in this way for FY17 will move the College forward on closing the wage gap with our peer institutions—an important goal of our Strategic Plan—and will also allow time for building a fair and equitable merit pay system that may be used for the long-term rather than functioning as a stop-gap measure.

Towards these ends, Senate has formed an Ad Hoc Faculty Merit Compensation Committee made up of senators, chairs, faculty and the President of the Faculty to review merit systems at our peer and peer-aspirant institutions, solicit meaningful feedback from faculty and the Faculty Issues Committee, and develop a specific and detailed proposal for a merit pay system. This system will take into account the unique nature of faculty work—especially how teaching, research, and service must be included in any meaningful rubric used to evaluate faculty across the wide range of disciplinary differences within our departments and programs. This approach also allows time for 1) creating and informing faculty regarding changes in evaluative reporting mechanisms; 2) providing training for chairs regarding this new assessment rubric to ensure consistency; and 3) ensuring faculty buy-in for this new system of merit evaluation.

The Senate has charged the Ad Hoc Faculty Merit Compensation Committee to build both the short term and long term merit pay systems addressing the unique training, expertise, and performance necessary for engaging the three main components of faculty work: teaching, research, and service. The first phase of this merit pay system has been created, vetted through the Faculty Senate and is included with this response. To do the second phase of this task both equitably and well, this Committee will need time to encourage community buy-in by soliciting feedback from faculty on the various components of any proposed plan. The Committee members will do their work with expediency, transparency, and inclusion, while still attending to the intricacies involved in building a fair and thoughtful merit pay system.

The Senate will also charge the Ad Hoc Faculty Merit Compensation Committee to consider the following complexities as they do their work:

- The evaluation of faculty teaching is complex, and yet our current evaluation system is structured around ICES scores, which are a limited measure of teaching excellence. ICES are a single metric that do not measure the full quality of a student’s classroom experience, and ICES scores may carry racial, gender, and age-based biases. In

addition, filling out ICES isn't mandatory for our students, and response rates are often too low to be meaningful or comparative. Moreover, since this measure rewards consistency over inventiveness, relying on ICES alone potentially discourages pedagogical experimentation among faculty.

- Brand-new faculty who have little evidence of their teaching, research, and service to put into an evaluation file still need to be a part of any merit pay system.
- If money for merit pay is not available every year, the proposed system must have safeguards in place to handle discrepancies for faculty who receive exceptional evaluations in a year that offers no funding and/or receive a less impressive performance in a year where there are monies to be disbursed for merit / retention.
- Any merit pay system should take into account how to evaluate faculty on sabbatical, parental leave, medical leave, and grant leave.
- A new merit pay system will burden department chairs with additional work in soliciting and reviewing faculty evaluation files for merit awards. Also, chairs will be further burdened with the potential politics that surround merit-based raises, and so safeguards should be put in place to help avoid conflicts among peers working in the same department.
- Current faculty have been managing their careers with the understanding that they are being evaluated for merit in five-year increments. To change the system under which faculty have been operating retroactively and to award additional money on the basis of a new system may raise contractual and ethical problems.
- A new merit system will need to recognize the varied timelines of scholarly work in order to fairly evaluate and compensate projects that may span multiple evaluation periods.

The Senate is ready to engage in the task of developing a new annual component to a merit pay compensation system for faculty. However, we see this task as sufficiently complex that time is needed to consider the implications adequately. A hastily constructed system developed without adequate faculty input and buy-in could easily end up working at odds with the original goals of the merit system itself.

We hope that the Ad Hoc Compensation Committee will follow our recommendation and allow faculty the necessary time to make meaningful and thoughtful contributions to the development of this new merit pay system.

### **Annual Faculty Merit Compensation Form 2016**

*In response to the charge from the Board of Trustees to create a Faculty Merit Compensation System by 15 October 2016, the Faculty Senate has decided to engage this challenge in two phases. The first phase of this process is a short, five-page (maximum) report form that largely follows the format of an annotated C.V. (described below). This short-form reporting mechanism will be used for this year only for all faculty who have been in service at the College since August 2015. The second phase involves the creation of a more extensive merit pay system to be used on an on-going basis. The development of the second phase of our Faculty Evaluation Merit Compensation process is currently being worked on by a senate Ad Hoc Committee made up of senators and chairs and will be presented for review and approval this coming spring to the Senate, the faculty, and ultimately to the administration and members of the Board of Trustees.*

**Guidelines:** Please complete the following short report for this one-time mid-year faculty merit compensation review as it pertains to your professional activities, service, and teaching. The review period for this short form should encompass the past three years, August 2013 – August 2016; however, additional highlights of *significant achievements* for the past five years (August 2011 – November 2016) may be included.

1. **Scholarly/Creative Professional Work (1 page)** In an annotated format, list all books; book chapters; refereed and non-refereed articles; creative works, performances, and presentations or exhibitions with details; invited, refereed, and non-refereed papers and poster presentations at national and regional meetings; consulting, adjudicating, reviewing, and editing activity; professional offices and positions; external funding proposals submitted and/or awarded; any other awards; and additional relevant professional activity. Works in progress should also be included.
2. **Service (1 page)** In an annotated format, list your forms of departmental service, College-wide committee service, and/or additional service to the College community that you consider noteworthy; also list service to the community beyond the College (local, national, and international). Identify the leadership roles you have assumed at all levels. List these activities under the subcategories of College-Wide Service, Departmental Service, and Service Beyond the College (local, national, and international).
3. **Teaching/Librarianship (1 page)** In an annotated format, list major teaching and/or librarianship activities describing your role in the development and implementation of these activities. Where available, provide evidence regarding the effectiveness of these activities.
4. **Narrative Highlights (2-page limit)** Describe what you believe to be your most significant contributions at St. Mary's College of Maryland in the last three years.

**Deadline:** Email your completed form to Joan Pickett (jepickett@smcm.edu) by 1 November 2016. Name your document in this manner: Lastname\_Firstname\_annualmeritevaluation\_2016.

**Important clarification:** Faculty standing for pre-tenure, tenure, or five-year review should submit this document separately from other review materials.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
DISCUSSION ITEM I.C.**

**IT INFRASTRUCTURE / ENTERPRISE RESOURCE PLANNING SYSTEM (ERP)**

The College last year received one-time funding from the State totaling \$2.74M to modernize our wired and wireless network architecture and upgrade our ERP (Enterprise, Resource, and Planning). Funds were provided in two parts: \$1.6M was provided in FY16 for the wired and wireless upgrades, and \$1.14M was provided in FY17 funds (combined with the \$1.1M provided by the College) to upgrade our ERP and enhance our reporting and business intelligence solutions.

**Wired and Wireless Network Upgrade Completed**

The wired and wireless upgrade has been completed, bringing secure wireless capability to all academic and administrative buildings while greatly improving coverage, capacity and bandwidth. (Note: wireless upgrades were made in residence halls in 2015). With our new modern wireless infrastructure, the College can expand the use of technology in the classroom, improve the student experience with much greater access to online resources, and begin allowing access to campus resources wirelessly that were previously restricted to the wired network.

The project was extensive in scope:

- 430 new wireless access points installed, replacing approximately 100 old devices.
- 87 manage network switches replaced, enhancing security and increasing desktop connectivity.
- 46 additional network switches installed to support the new wireless access points.
- Nearly 40 miles of new cable installed across 23 administrative and academic buildings to connect the new access points, and fiber optic connections updated.

**Enterprise Resource Planning System (ERP)**

Planning for the ERP project planning is underway to replace the Jenzabar CX solution that has served the campus for 18 years. The goals of the ERP replacement project are to enhance operational effectiveness and streamline processes, develop a seamless information environment ensuring improved reporting for operational and strategic business decisions, and provide greater online access to information and transactions for our students. The new ERP will include human resources, business and finance, student information system, and an admissions CRM.

Earlier this year, a consultant worked with key campus stakeholders to identify and map out the core functionalities of each office and department, differentiate standard needs from critical requirements, and survey the market for what might be best-fit ERP vendors in the higher education market. The College is currently developing the RFP and will begin the process of selection this Fall followed by an anticipated contract award date after the start of the Spring 2017 semester. Implementation and conversion will take approximately two years after award.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
DISCUSSION ITEM I.D.  
STATE OF MARYLAND AUDIT (DEPARTMENT OF LEGISLATIVE SERVICES)**

The Department of Legislative Services (DLS) audits all state agencies on a tri-annual schedule for compliance in regards to financial, compliance with various State requirements, and IT practices. The audit reviews all manner of internal control matters throughout the campus and reviews activities at the transaction level.

DLS audited the period 7/1/2012 thru 8/23/2015. The final audit report has been issued as of August 2016 and is provided to the committee for informational purposes.

The report noted five findings, three related to information technology, one in the Business Office and one in Human Resources. College responses are included at the back of the published report. The DLS audit team in the exit interviews commented on the high level of cooperation by the College staff - within both the business office and office of information technology.

Currently the Business Office is working with the food service vendor to source reports sufficient to answer the concerns of DLS, we expect to resolve this issue shortly. The College and the audit team worked collaboratively to reach agreement on appropriate level of review being implemented. The HR finding related to a single leave payout was unique to an individual situation. The conditions that led to the concerns expressed by the audit team are no longer in place eliminating the possibility that the issue could recur in the future.

The IT audit focuses on security and controls deficiencies in our information systems. The three items include improving safeguards to protect sensitive personally identifiable information in the database, improving safeguards to minimize security threats on college workstations and servers, and enhancing security event logging. We have initiated implementation of most of the recommendations and will have all completed by January 2017.

Audit Report

---

**St. Mary's College of Maryland**

August 2016

---



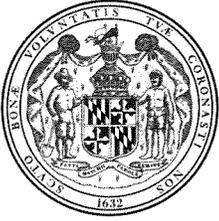
**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

**For further information concerning this report contact:**

**Department of Legislative Services**  
**Office of Legislative Audits**  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201  
Phone: 410-946-5900 · 301-970-5900  
Toll Free in Maryland: 1-877-486-9964  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [OLAWebmaster@ola.state.md.us](mailto:OLAWebmaster@ola.state.md.us)  
Website: [www.ola.state.md.us](http://www.ola.state.md.us)

**The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.**

*The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.*



DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

August 17, 2016

Senator Guy J. Guzzone, Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of St. Mary's College of Maryland (the College) for the period beginning July 1, 2012 and ending August 23, 2015. The College is a public, liberal arts honors college that offers undergraduate and graduate degree programs in various disciplines. The College is governed by a Board of Trustees as authorized by the Education Article, Title 14, Subtitle 4 of the Annotated Code of Maryland.

Our audit disclosed security and control deficiencies over the College's information systems. For example, the College had not established appropriate safeguards to protect sensitive personally identifiable information in a critical database which, in part, contained information about students and employees. Additionally, numerous users were granted unnecessary privileges on their workstations resulting in increased security threats, and certain workstations had not been updated with the latest software releases to protect against known vulnerabilities.

Our audit also disclosed that the College did not ensure the propriety of amounts billed by its food services vendor by routinely obtaining cost documentation that was the basis for payments which totaled approximately \$4.2 million during calendar year 2015.

Finally, the College did not independently review accumulated leave payout calculations, resulting in an overpayment of approximately \$10,000 for one individual retiring from State service.

The College's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by the College.

Respectfully submitted,

  
Thomas J. Barnickel III, CPA  
Legislative Auditor

## Table of Contents

	<b>Background Information</b>	4
	Agency Responsibilities	4
	Status of Findings From Preceding Audit Report	4
	<b>Findings and Recommendations</b>	5
	<b>Information Systems Security and Control</b>	
	Finding 1 – Sensitive personally identifiable information applicable to 117,194 unique individuals was not appropriately safeguarded.	5
*	Finding 2 – The College’s computers were not adequately secured from malware and the College lacked assurance that malware protection software was fully operational.	6
	Finding 3 – Certain database security events were not monitored, and documentation supporting independent reviews of direct changes to critical tables did not exist.	7
	<b>Food Services Contract</b>	
*	Finding 4 – The College did not ensure the accuracy of amounts invoiced by its food services vendor which totaled \$4.2 million during calendar year 2015.	8
	<b>Leave Overpayment</b>	
	Finding 5 – The College did not independently review accumulated leave payout calculations, resulting in an overpayment of approximately \$10,000 for one individual retiring from State service.	9
	<b>Audit Scope, Objectives, and Methodology</b>	11
	<b>Agency Response</b>	Appendix

\* Denotes item repeated in full or part from preceding audit report

## **Background Information**

### **Agency Responsibilities**

St. Mary's College of Maryland (the College) is a public, liberal arts honors college that offers undergraduate degree programs in various disciplines and a graduate degree in Masters of Arts in Teaching. The College is governed by a Board of Trustees as authorized by the Education Article, Title 14, Subtitle 4 of the Annotated Code of Maryland. This law provides the Board with broad authority in managing the affairs of the College, and specifies that the Board may not be superseded in its authority by any State agency or office except as expressly provided in law. Furthermore, the law provides for the College to receive State general funds in the form of an annual grant. According to the State's records, fiscal year 2015 revenues totaled approximately \$65.6 million, which included a State general fund appropriation of approximately \$18.2 million. According to the College's records, student enrollment for the Fall 2015 semester totaled 1,773.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the eight findings contained in our preceding audit report dated November 19, 2013. We determined that the College satisfactorily addressed six of the findings. The remaining two findings are repeated in this report.

## Findings and Recommendations

### Information Systems Security and Control

#### Background

The St. Mary's College of Maryland's (the College) Office of Information Technology provides information systems support to the College through the operation and maintenance of campus-wide administrative applications, such as the student information and financial system. The Office also operates an integrated administrative and academic computer network that provides connections to a substantial number of servers used for administrative applications and related databases. The campus network also includes separate file servers, Internet connectivity, and firewalls.

#### Finding 1

**Sensitive personally identifiable information applicable to 117,194 unique individuals was not appropriately safeguarded.**

#### Analysis

Sensitive personally identifiable information (PII) was stored in a critical database containing, in part, student and employee information in clear text. Specifically, we noted that, as of January 28, 2016, this database contained sensitive PII for 117,194 unique individuals in clear text. This included the individuals' full names, social security numbers and, in some cases, dates of birth. In addition, we determined that this sensitive PII was not protected by other substantial mitigating controls.

This PII, which is commonly associated with identity theft, should be protected by appropriate information system security controls. Best practices as noted in the University System of Maryland (USM) *Information Technology Security Standards* state that protection measures for confidential data can include the deletion of unneeded confidential information, encryption or other equally secure safeguards; and if encryption is used to protect confidential information, then certain encryption standards must be used.

#### Recommendation 1

**We recommend that the College**

- a. perform a complete inventory of its systems and identify all sensitive PII,**
- b. determine if it is necessary to retain this PII and delete all unnecessary PII,**
- c. determine if this sensitive information is properly protected by encryption or other equally secure safeguards, and**

- d. **comply with the aforementioned USM IT Security Standards to control and properly secure all sensitive PII.**

**Finding 2**

**The College's computers were not adequately secured from malware, and the College lacked assurance that malware protection software was operational on all of its workstations and servers.**

**Analysis**

The College's computers were not adequately secured from malware, and the College lacked assurance that malware protection software was operational on all of its workstations and servers.

- Although the College had procedures requiring written authorization for users (other than system and network administrators) to have administrative rights on their local workstations, for 36 of 100 workstations tested the users were inappropriately given administrative rights without such written authorizations. As a result, if the workstations used by these 36 employees were infected with malware, the malware would run with administrative rights and expose these workstations to a greater risk of compromise than if the workstations' user accounts operated with only user rights.
- Certain workstations had not been updated with the latest releases for software products that are known to have significant security-related vulnerabilities. Although the vendors for these software products frequently provide software patches to address these vulnerabilities, the College had not updated all of its workstations for these patches. For example, 9 of 10 workstations tested were running older versions of three commonly vulnerable applications which were outdated up to 31 months.
- As of February 22, 2016, the College's malware protection tool reported that the Campus network included 314 computers that did not have malware protection software installed. College personnel advised us that this information was unreliable because it included numerous retired computers that had not been removed from the College's network directory of computers and that certain computers were configured to report to an outdated malware protection tool rather than the current malware protection tool. As a result, the College did not know the number or identity of computers that did not have malware protection software installed. A similar condition was commented upon in our preceding audit report.

Best practices, as noted in the USM *Information Technology Security Standards*, state that standard virus protection programs must be installed, updated, and maintained on all computers.

## **Recommendation 2**

**We recommend that the College**

- a. ensure that administrative rights on its workstations are restricted to system and network administrators and those employees authorized in writing to have such rights;**
- b. promptly install all critical security-related software updates for commonly vulnerable applications on all of its workstations; and**
- c. ensure, on an ongoing basis, that all of its computers are running current versions of its malware protection software (repeat).**

### **Finding 3**

**Certain database security events were not monitored and documentation supporting independent reviews of direct changes to critical tables did not exist.**

### **Analysis**

Certain database security events were not monitored and documentation supporting independent reviews of direct changes to critical tables did not exist.

- Although security and audit events for the database supporting the student information and financial system were logged, we were advised that reports of this logged activity were not generated for subsequent review. As a result, improper and/or unauthorized changes to database security and audit settings would not be detected by management.
- Although College personnel advised that independent reviews of reports of direct changes to 42 critical student information and financial system database tables were performed, these reviews were not documented. As a result, there was no assurance that these reviews were performed. Therefore, unauthorized modifications to critical database tables may not be detected by management.

Best practices as noted in the USM *Information Technology Security Standards* require institutions to maintain appropriate audit trails of events and actions related to critical applications and data and further require that these actions be independently reviewed and documented.

### Recommendation 3

We recommend that the College

- a. generate reports of security and audit events for the database supporting the student information and financial system; and
- b. perform periodic independent reviews of these security and audit event reports and direct changes to critical database tables, document these reviews, and retain the documentation for future reference.

### Food Services Contract

#### Finding 4

**The College did not ensure the propriety of amounts invoiced by its food services vendor before payment. Calendar year 2015 invoices totaled \$4.2 million.**

#### Analysis

The College paid its food services vendor without ensuring the propriety of invoices submitted. The food services contract provided for the College to reimburse the vendor that operated its dining services facilities for certain costs incurred (primarily labor costs and the cost of goods sold such as food and beverages) that exceeded the revenue collected by the vendor (such as from catered services). However, the College did not routinely obtain and review detailed documentation to support the invoiced costs. As a result, the propriety of the invoiced costs was not sufficiently verified before payment. Rather, the College's review was generally limited to ensuring that the amounts charged were within the contractor's approved annual budget.

College management advised us that, because of the complexity of the invoices, the College only obtained documentation from the food services vendor for three weekly invoices each year and used that documentation to verify the propriety of amounts billed. For example, in calendar year 2015, the College verified just three invoices totaling \$249,000 of the 52 invoices that the College paid the vendor totaling approximately \$4.2 million. Furthermore, our review of the College's verification of one of these invoices totaling \$47,675 disclosed that there was no documentation supporting charges totaling \$15,200 included on that invoice. For example, the College represented that it had verified labor charges, but the documentation obtained did not support the amount invoiced, and the College could not explain the discrepancy.

In July 2013, the College entered into a two-year contract (with five one-year renewal options), with a base term valued at approximately \$8.7 million for

campus food services management. This contract was awarded to the same vendor that had provided these services since May 2005. A similar condition was commented upon in our preceding audit report.

#### **Recommendation 4**

**We recommend that the College ensure that charges billed by the food services contractor are adequately supported and verified prior to payment (repeat).**

### **Leave Overpayment**

#### **Finding 5**

**The College did not independently review accumulated leave payout calculations, resulting in an overpayment of approximately \$10,000 for one individual retiring from State service.**

#### **Analysis**

The College did not have a procedure to require that calculations of accumulated leave payouts for employees leaving State service be independently reviewed for propriety. Our review of two leave payouts totaling \$40,000 disclosed that the College incorrectly calculated a leave payout for one individual who retired from State service, resulting in an overpayment of \$9,924.

Specifically, the College paid this individual \$38,118 for 630 hours of unused annual leave, which included 564 hours of unused leave carried forward from the preceding year. However, State law only allows payments for up to 400 hours of leave from prior years, as well as for leave earned in the current year, which would have resulted in a payout of \$28,194, indicating an overpayment of \$9,924. Although the College is exempt from the aforementioned State law, this individual was employed by another State agency but was assigned to work at the College and, therefore, was subject to this law.

We were advised by College management that it was unaware of the State laws applicable to this individual so it paid the employee for the total leave balance. However, this approach was also not consistent with the College's own policy which was more restrictive than the State law and would have limited the payment to this employee to \$11,497 (resulting in an overpayment of \$26,621).

College management further advised us that it will not attempt to recover this overpayment because the individual could have taken the unused leave prior to retirement. However, the individual did not use the leave and would not have

been able to use all of the leave under State regulations. Specifically, the regulations provide that, once an employee has given notice of resignation, the employee may not use more than 10 days of annual, personal, or compensatory leave, or any combination of those types of leave, between the time notice is given and the effective date of resignation.

In light of these circumstances, we discussed this matter with the Office of the Attorney General. The Office has agreed to consider performing additional follow-up action, including possible recovery of the funds.

#### **Recommendation 5**

**We recommend that the College**

- a. ensure that calculations of accumulated leave payouts are subject to a documented independent review and approval;**
- b. ensure future annual leave payouts are calculated in accordance with State law or College policy, as appropriate; and**
- c. in conjunction with the Office of the Attorney General, take appropriate follow-up actions including pursuing the recovery of the aforementioned overpayment.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of St. Mary's College of Maryland (the College) for the period beginning July 1, 2012 and ending August 23, 2015. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the College's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included purchases and disbursements, student accounts receivable, cash receipts, information systems security and control, payroll, student financial aid, and corporate purchasing cards. Our audit included certain support services (such as payment processing, payroll processing, maintenance of personnel and accounting records, and related fiscal functions) provided by the College to the Historic St. Mary's City Commission. We also determined the status of the findings included in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of the College's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including the College.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the College's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from the College's financial system for the purpose of testing certain areas, such as student accounts receivable and financial aid. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

The College's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including the safeguarding of assets and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the College's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the College that did not warrant inclusion in this report.

The response from the College to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the College regarding the results of our review of its response.

OFFICE OF THE VICE PRESIDENT FOR  
BUSINESS AND FINANCE  
47645 College Drive  
St. Mary's City, MD 20686

www.smcm.edu  
TEL: 240-895-4413  
FAX: 240-895-4957

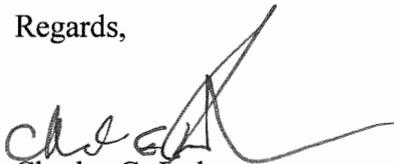
August 16, 2016

Thomas J. Barnickel, III, CPA  
Legislative Auditor  
Department of Legislative Service  
Office of Legislative Audits  
Maryland General Assembly  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201

Dear Mr. Barnickel:

St. Mary's College of Maryland is in receipt of your correspondence dated July 28, 2016 requesting responses to the audit report comments and recommendations. Per your request, we are pleased to submit our responses to each of the five findings. Please contact me at 240-895-4413, or via email at [ccjackson@smcm.edu](mailto:ccjackson@smcm.edu), with any questions, or if further information is needed.

Regards,



Charles C. Jackson  
Vice President for Business and Finance

cc: Tuajuanda C. Jordan, President

**St. Mary's College of Maryland**  
**Agency Response to Draft Audit Report**  
**for the Period Beginning July 1, 2012 and Ending August 23, 2015**

**Finding 1 – Sensitive personally identifiable information applicable to 117,194 unique individuals was not appropriately safeguarded.**

Response: The College agrees with this finding. We have taken steps to mask certain personally identifiable information in the database for users that do not require that information to perform their job duties. The College expects to have all recommendations implemented by January 2017.

**Finding 2 – The College's computers were not adequately secured from malware and the College lacked assurance that malware protection software was fully operational.**

Response: The College agrees with this finding. Work has begun on all recommendations ensuring limited and documented access for user administrative rights, applying critical security related updates for commonly vulnerable applications to all workstations, and ensuring all computers are running current versions of malware protection software. The College expects to have all recommendations implemented by November 2016.

**Finding 3 – Certain database security events were not monitored, and documentation supporting independent reviews of direct changes to critical tables did not exist.**

Response: The College agrees with this finding and has implemented the recommendations to generate reports of security and audit events, provide independent reviews of the reports, and document the reviews.

**Finding 4 – The College did not ensure the accuracy of amounts invoiced by its food services vendor which totaled \$4.2 million during calendar year 2015.**

Response: The College agrees to perform additional verification of charges billed by the food service vendor. The College and OLA have agreed on specific procedures which will be implemented by October 2016. The major points of the agreed upon procedure is that the College will verify direct labor charges on a bi-weekly basis and will randomly select a limited number of significant cost of goods sold items each week for verification.

**Finding 5 – The College did not independently review accumulated leave payout calculations, resulting in an overpayment of approximately \$10,000 for one individual retiring from State service.**

Response: The College agrees that future annual leave payouts are to be calculated in accordance with College policy. The College will implement procedures to ensure that payout of accrued leave does not exceed the number of allowed hours.

Further, the College has contacted the Office of Attorney General and will coordinate any additional follow-up action on this issue as they deem appropriate.

**August 16, 2016**

AUDIT TEAM

**Heather A. Warriner, CPA**  
Audit Manager

**Richard L. Carter, CISA**  
**Stephen P. Jersey, CPA, CISA**  
Information Systems Audit Managers

**Marissa L. Eby, CPA**  
Senior Auditor

**Michael K. Bliss, CISA**  
**Edwin L. Paul, CPA, CISA**  
Information Systems Senior Auditors

**Matusala Y. Abishe**  
**Amanda M. Jones**  
Staff Auditors

**Steven D. Bryant**  
**Robert H. Dean**  
**Edward O. Kendall**  
Information Systems Staff Auditors

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
DISCUSSION ITEM I.E.  
EXPANDING REVENUE**

**General**

Overall, revenue from other sources (revenue excluding tuition and fees and State appropriations) are projected to increase in FY17 by \$234 thousand over the FY16 budget. Examples of increasing revenue include: \$49 thousand in increased interest earnings, \$26 thousand in Howard House rental revenue, \$50,000 higher transfer from the Foundation, \$109,000 in higher revenue from HSMC to support operating expenditures related to Anne Arundel.

**Faculty/Staff Housing**

In addition to the above, the College successfully generated revenue through offering rental housing to faculty and staff. For the 2016-2017 academic year, the College has leased housing to 8 employees. Two houses leased from Historic St. Mary's City were offered and have been occupied by 6 employees (3 bedrooms in each house). Also, the two units at the recently leased Howard Property have been leased to faculty and staff (main house and adjacent studio apartment). The total estimated revenue for FY17 for the Howard House and the two HSMC houses is expected to be about \$32 thousand.

The need for affordable housing close to campus has been discussed over the past year by the Buildings and Grounds Committee of the Board. The initiative this year to lease existing housing to faculty and staff confirms the demand and is encouraging as the College considers development of new faculty/staff housing options.

**Future**

The College will continue to explore additional opportunities to expand revenue sources including Foundation support as well as from programming and conference activity. Enrollment growth remains the most significant source for potential revenue growth.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
DISCUSSION ITEM I.F.  
DASHBOARDS**

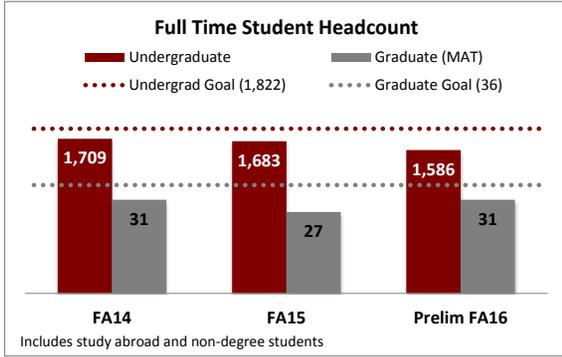
Dashboards for the College have been updated and are presented in the attachment.

# ST MARY'S COLLEGE of MARYLAND

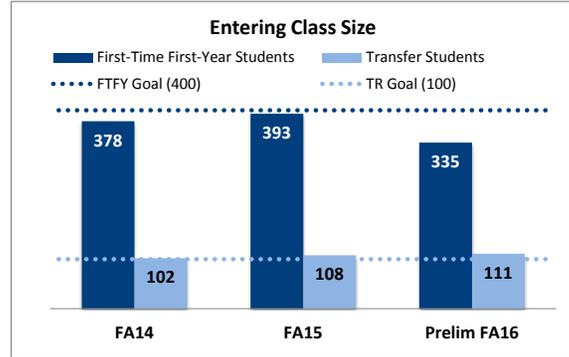
The Public Honors College

## Student Characteristics in Enrollment

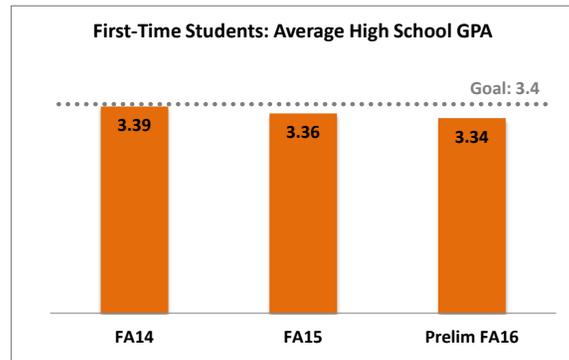
Fall 2016 figures based on preliminary census (freeze) data, 9/26/16



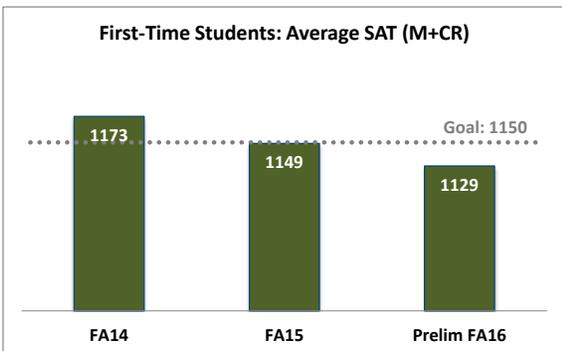
Trend:	Undergrad	Graduate
	↓	→



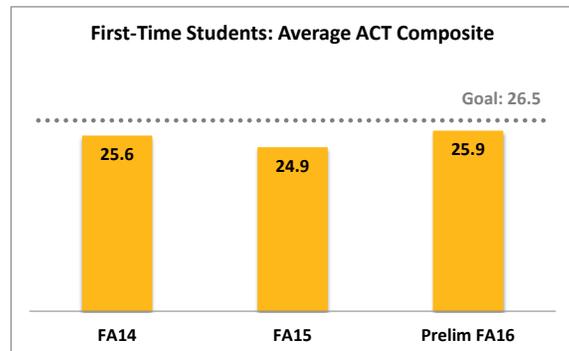
Trend:	First-Time	Transfers
	↓	↑



Trend:	High School GPA
	↓



Trend:	SAT(M+CR)
	↓

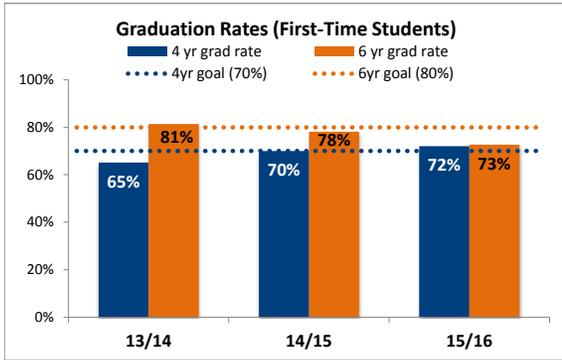


Trend:	ACT Composite Score
	↑

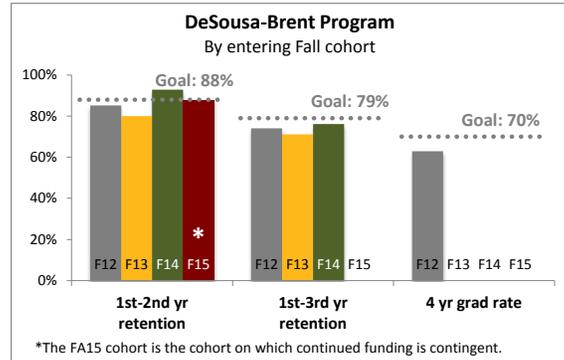
# ST MARY'S COLLEGE of MARYLAND

The Public Honors College

## Student Retention and Persistence

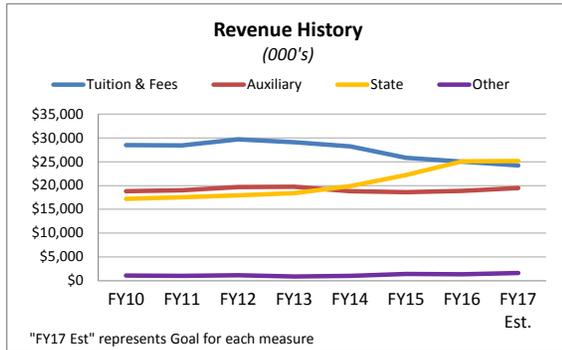


Trend:	4yr Grad Rate	6yr Grad Rate
	↗	↘

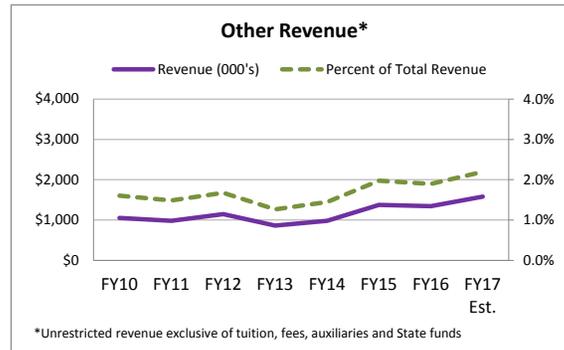


Trend:	1st-2nd	1st-3rd	4yr grad
	→	↗	↗

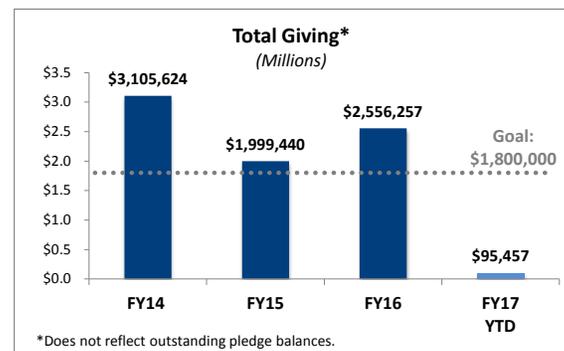
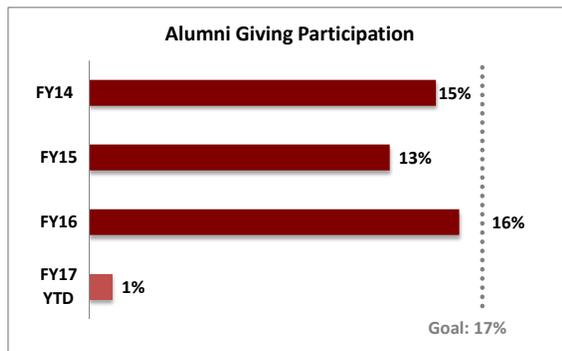
## Revenue and Fundraising



Trend:	Tuition/Fees	Auxiliary	State	Other
	↘	→	↗	↗



Trend:	Other Revenue
	↗



Note: FY14-16 total annual giving averaged \$1.5 million yearly. The actuals shown are higher as they include one-time only estate gifts (FY14) and capital campaign donations (FY15, FY16) of more than \$300,000.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
ACTION ITEM II.A.**

**REVISION OF FY17 CURRENT FUND (OPERATING) UNRESTRICTED BUDGET**

**RECOMMENDED ACTION**

The Finance, Investment, and Audit Committee recommend approval by the Board of Trustees, St. Mary's College of Maryland, of revisions to the current fund (operating) budget for fiscal year 2017, as attached.

**RATIONALE**

Maryland law entrusts the development and approval of the operating budget for the College to the Board of Trustees. Authorization of the attached FY17 current fund budget will allow the College to continue its mission of providing high-quality, public, post-secondary education.

The revision incorporates (column B) carry-forward authorization for \$3,589,802 encumbered but not expended as of June 30, 2016.

<i>Program of Expenditure</i>	<i>Type of carry-forward</i>	<i>Amount</i>
Instruction	Encumbered Items & Commitments (faculty start-up, faculty development)	\$85,964
	Other Rollover Items including NMR Lease, Other eq. lease, SURF Funding	\$153,733
Institutional Support	Encumbered items, including IT Project items and Middle States Review	\$632,840
	Rollover items, current and prior year: <ul style="list-style-type: none"> <li>• ERP Initiative / IT Infrastructure</li> <li>• Contingency and other strategic items</li> <li>• Additional IT equip., IDE training, public safety position and miscellaneous other.</li> </ul>	\$1,039,546 \$603,459 \$318,710
Scholarships	Book Scholarships implemented Fall 2016	\$46,500
Student Services	Encumbered Items	\$30,586
	Rollover Items	\$159,500
Auxiliary Enterprises	Rollover future debt service, other	\$410,000
	Encumbered Items	\$57,215
	Bookstore POS system	\$35,000
Physical Plant	Encumbered items and additional rollovers	\$16,724
	<b><i>Total</i></b>	<b>\$3,589,802</b>

St. Mary's College Of Maryland  
 FY17 Operating (Current Fund) Budget Revision

	Jul-16 Approved Budget	% Of Total	FY17 Current Fund Unrestricted (CFU)			For BOT Information Budget	
			Routine				
			Reallocation	Rollovers	Changes		
<b>Revenue</b>							
Tuition	20,946,117	29.8%			0	20,946,117	29.8%
Fees	3,263,464	4.6%			0	3,263,464	4.6%
State Grant (Appropriation)	25,126,549	35.7%			0	25,126,549	35.7%
Gifts And Grants	0	0.0%			0	0	0.0%
Sales & Services-Educational	611,820	0.9%			0	611,820	0.9%
Endowment/Investment	425,000	0.6%			0	425,000	0.6%
Foundation Unrestricted Support	285,000	0.4%			0	285,000	0.4%
Sales & Services-Auxiliary	19,492,675	27.7%			0	19,492,675	27.7%
Other	255,600	0.4%	-		0	255,600	0.4%
<b>Total Revenue</b>	<b>70,406,225</b>	<b>100.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,406,225</b>	<b>100.0%</b>
<b>Expenditures</b>							
Instruction	20,987,018	29.8%	(7,619)	239,697	232,078	21,219,096	30.1%
Research	0	0.0%	0		0	0	0.0%
Public Service	97,833	0.1%	0		0	97,833	0.1%
Academic Support	2,371,684	3.4%	5,618		5,618	2,377,302	3.4%
Institutional Support	14,666,621	20.8%	2,499	2,594,555	2,597,054	17,263,675	24.5%
Student Services	6,081,215	8.6%	2,500	190,086	192,586	6,273,801	8.9%
Plant Operation And Maintenance	5,098,468	7.2%	(0)	15,324	15,324	5,113,792	7.3%
Scholarships/Grants	5,991,780	8.5%	(3,000)	46,500	43,500	6,035,280	8.6%
Auxiliary Enterprises	15,111,606	21.5%	(0)	503,641	503,641	15,615,247	22.2%
<b>Total Expenditures</b>	<b>70,406,225</b>	<b>100.0%</b>	<b>(1)</b>	<b>3,589,802</b>	<b>3,589,801</b>	<b>73,996,026</b>	<b>105.1%</b>
<b>Transfers In (Out)</b>					0	0	
Plant-Deferred Maintenance & Parking Fee	0	0.0%	0		0	0	0.0%
Debt Service	0	0.0%	0		0	0	0.0%
Quasi Endowment	0	0.0%	0		0	0	0.0%
<b>Total Transfers</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Total Expend. &amp; Transfers</b>	<b>70,406,225</b>	<b>100.0%</b>	<b>(1)</b>	<b>3,589,802</b>	<b>3,589,801</b>	<b>73,996,026</b>	<b>105.1%</b>
<b>Budget Year Incr. (Decr. in Fund Balance</b>	<b>0</b>		<b>1</b>	<b>(3,589,802)</b>	<b>(3,589,801)</b>	<b>(3,589,801)</b>	
<b>Fund Balance Carried Forward From FY16</b>				<b>3,589,802</b>	<b>3,589,802</b>	<b>3,589,802</b>	
<b>Total Increase (Decrease) in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>(0)</b>	<b>1</b>	<b>1</b>	

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FY16 OPERATING (CURRENT FUND) BUDGET  
FY17 BUDGET REVISION, ROLLOVER FROM FY16**

<b>Summary by Program</b>	<b>Ongoing</b>	<b>One Time</b>
Instruction	-	239,697
Research	-	-
Public Service	-	-
Academic Support	-	-
Institutional Support	-	2,594,555
Student Services	-	190,086
Plant Operation And Maintenance	-	15,324
Scholarships/Grants	-	46,500
Auxiliary Enterprises	-	503,641
Transfer to Plant	-	-
Transfer to State	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>3,589,802</b>

<b>Summary by Type</b>	
Items encumbered @ 6-30-2016	722,467
Academic Rollvers, faculty related	87,388
Line of Credit debt service for future years	400,000
Prior year rollover items required for future years, primarily IT project	1,149,779
Additional new rollover items	1,230,169
	<b>3,589,802</b>

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
ACTION ITEM II.B  
RECONCILIATION OF THE FY17 PLANT FUND (CAPITAL) BUDGET**

**RECOMMENDED ACTION**

The Finance, Investment, and Audit Committee recommends approval by the Board of Trustees, St. Mary's College of Maryland, of the following revisions to the plant fund (capital) budget for fiscal year 2017, as attached.

**RATIONAL**

The attached schedules are provided for information purposes and "walk" from the final approved FY16 plant budget total and add new projects approved by the Board in July 2016.

Five major projects with value greater than \$200,000 continue with a balance remaining of \$2.03 million. Projects with value greater than \$200,000 require explicit Board of Trustees approval. This total includes the \$.63 million remaining project balance of the Residence Hall Rehabilitation project. Additional projects with a value less than \$200,000 have a remaining balance of \$1.35 million.

FY16 plant fund activity is reconciled to the end of the fiscal year and new projects approved in July 2016 are added. The FY17 active project budget totals \$3,378,104. The projected unencumbered plant fund balance is \$1.6 million. Bracketed references in the reconciliation schedule are derived from the subsequent listing of all plant projects.

**St. Mary's College of Maryland  
 FY17 Plant Project Summary  
 as of: 6/30/2016**

***FY17 Start***

<b>CARS Subfund</b>	<b>Description</b>	<b>FY17 Final Budget</b>	<b>CARS Exp</b>	<b>CARS Enc</b>	<b>Balance Remaining</b>
3231	Residence Hall Renewal	632,028.84			632,028.84
3003	Misc Maint & Repair	583,876.44			583,876.44
3121	Misc. Residence Hall Projects	359,663.97			359,663.97
3206	AA Hall Replacement-Miscellaneous	235,897.53			235,897.53
3235	Cobb House Renovation	220,000.00			220,000.00
	Projects > \$200,000	2,031,466.78	0.00	0.00	2,031,466.78
	Projects < \$200,000	1,346,638.02	0.00	0.00	1,346,638.02
	<b>Total Projects</b>	<b>3,378,104.80</b>	<b>0.00</b>	<b>0.00</b>	<b>3,378,104.80</b>

St. Mary's College of Maryland  
 Reconciliation of FY15 Plant Budget  
 To FY17 Plant Budget

FY16 Initial Plant Budget	5,172,622	
	<u>5,172,622</u>	[A] Final FY16 Final Numbers page 4
FY16 Budget	5,186,322	[A] Final FY16 Final Numbers page 4
FY16 CARS Expenditures	3,143,629	[B] Final FY16 Final Numbers page 4
Pier removed last year + issuance cost @ 1,404	(12,296)	
FY16 Available (ending balance)	<u>2,030,398</u>	[H] Final FY16 Final Numbers & FY15 Opening
FY17 New Projects	<u>1,347,708</u>	April FIA Item #III.A.2 [C1]
	<u>1,347,708</u>	[C1] & [C2] & [C3] FY17 Start page 3
Plant projects moved to inactive status	-	[C3] FY17 Start page 3
Net FY17 New Project Funding	<u>1,347,708</u>	
	<u>3,378,106</u>	[D] FY17 Start page 3
Total FY17 Available Budget	<u>3,378,106</u>	
FY16 Project Budgets	17,307,613	[E] & [F] FY15 Start page 3
Less: Inactivated Projects	(853,416)	[F] FY15 Start page 3
Total Active Project Budgets	<u>16,454,197</u>	[E] FY15 Start page 3
FY17 New Projects	<u>1,347,708</u>	[C1 & C2 & C3] FY16 Start page 3
Total Project Budgets	<u>17,801,905</u>	[E]+[C]-[F] = [I]
Total Cumulative Active Project Expenses	<u>14,423,800</u>	[G] FY16 Start page 3
FY17 Active Project Budget Total	<u>3,378,105</u>	[D] FY16 Start page 3
<b>Variance method 1 to method 2</b>	<b>\$ 1.00</b>	
Analysis of FY15 Plant Project Cash Funding		
Cash Available in Unexpended Plant Fund 7/1/2016 (after funding all FY16 outstanding project balances)	1,640,590	
Less Approved New Projects for FY17	(1,347,708)	
Excess / (Deficit) Plant Funds	<u>\$ 292,882</u>	
Estimated Facility Fee Revenue for FY17	1,318,887	
Total Sources of Funds	<u>\$ 1,318,887</u>	
<b>Projected Plant Fund Balance</b>	<u><b>\$ 1,611,769</b></u>	

St. Mary's College of Maryland  
 FY16 Plant Project Summary  
 for 6/30/16; as of: 8/24/16

FY17 Start

CARS Subfund	Description	Cum. Budget	Cum. Expenses	FY16 Available	Cumulative Project Budgets	FY17 Approved Budget	FY17 Changes	FY17 Final Budget	CARS Exp	CARS Enc	Balance Remaining
	2327 College Entrance Signs	0.00	0.00	0.00	0.00	0.00	100,000.00	100,000.00			100,000.00
A	3001 Plant Contingency	55,287.06	8,987.06	46,300.00	55,287.06	46,300.00	13,700.00	60,000.00			60,000.00
A	3003 Misc Maint & Repair	3,921,979.25	3,838,102.81	83,876.44	3,921,979.25	83,876.44	500,000.00	583,876.44			583,876.44
	3004 Misc Small Enhancements	1,377,182.52	1,343,177.74	34,004.78	1,377,182.52	34,004.78	122,508.00	156,512.78			156,512.78
A	3020 Site Improvements	638,529.23	543,512.62	95,016.61	638,529.23	95,016.61	48,500.00	143,516.61			143,516.61
A	3022 Campus Master Plan	411,515.02	372,095.72	39,419.30	411,515.02	39,419.30		39,419.30			39,419.30
A	3090 Parking Lot Improvements	574,233.00	449,862.34	124,370.66	574,233.00	124,370.66		124,370.66			124,370.66
A	3121 Misc. Residence Hall Projects	1,476,152.36	1,294,488.39	181,663.97	1,476,152.36	181,663.97	178,000.00	359,663.97			359,663.97
	3184 MH Refurbishments	582,160.00	566,268.29	15,891.71	582,160.00	15,891.71	85,000.00	100,891.71			100,891.71
A	3189 Schaefer Window Replacement	156,232.00	151,034.00	5,198.00	156,232.00	5,198.00	20,000.00	25,198.00			25,198.00
A	3206 AA Hall Replacement-Miscellaneous	309,593.00	73,695.47	235,897.53	309,593.00	235,897.53		235,897.53			235,897.53
A	3211 Chancellor's Point Renovation	60,000.00	34,468.61	25,531.39	60,000.00	25,531.39		25,531.39			25,531.39
A	3221 Schaefer HVAC Renovations	320,000.00	309,011.84	10,988.16	320,000.00	10,988.16		10,988.16			10,988.16
A	3225 Athletics Renovation	100,683.00	98,553.00	2,130.00	100,683.00	2,130.00		2,130.00			2,130.00
A	3226 AA Hall Green Building Design	164,000.00	34,960.00	129,040.00	164,000.00	129,040.00		129,040.00			129,040.00
A	3227 New Academic Building Facility Prg	104,567.00	70,256.97	34,310.03	104,567.00	34,310.03	10,000.00	44,310.03			44,310.03
A	3229 HSMC Chancellors Point	1,500.00	0.00	1,500.00	1,500.00	1,500.00		1,500.00			1,500.00
	3230 Traffic Calming Project	148,000.00	77,280.93	70,719.07	148,000.00	70,719.07		70,719.07			70,719.07
A	3231 Residence Hall Renewal	4,961,973.00	4,329,944.16	632,028.84	4,961,973.00	632,028.84		632,028.84			632,028.84
	3233 Sun Trust - LOC	200,000.00	160,681.52	39,318.48	200,000.00	39,318.48		39,318.48			39,318.48
	3234 Debt Service	400,000.00	303,235.55	96,764.45	400,000.00	96,764.45		96,764.45			96,764.45
	3235 Cobb House Renovation	0.00	0.00	0.00	0.00	0.00	220,000.00	220,000.00			220,000.00
	3236 Pathway Project	0.00	0.00	0.00	0.00	0.00	50,000.00	50,000.00			50,000.00
	6501 GSMRF	490,610.57	364,183.19	126,427.38	490,610.57	126,427.38		126,427.38			126,427.38
	<b>Total Project Budgets</b>	<b>16,454,197.01</b>	<b>14,423,800.21</b>	<b>2,030,396.80</b>	<b>16,454,197.01</b>	<b>2,030,396.80</b>	<b>1,347,708.00</b>	<b>3,378,104.80</b>	<b>-</b>	<b>-</b>	<b>3,378,104.80</b>
		[E]	[G]	[H]			[C1 & C2 & C3]	[D]			[D]
A	3222 PG & Caroline Air Handler	291,596.00	291,595.00	1.00	291,596.00	1.00		1.00			1.00
	3223 Dorchester & QA Renovations	448,297.75	448,297.75	0.00	448,297.75	0.00		0.00			0.00
	3232 Public Safety Building	113,521.90	113,521.90	0.00	113,521.90	0.00		0.00			0.00
	<b>Inactive Project Budgets</b>	<b>853,415.65</b>	<b>853,414.65</b>	<b>1.00</b>	<b>853,415.65</b>	<b>1.00</b>		<b>1.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1.00</b>
	<b>Total Project Budgets</b>	<b>17,307,612.66</b>	<b>15,277,214.86</b>	<b>2,030,397.80</b>	<b>17,307,612.66</b>	<b>2,030,397.80</b>	<b>1,347,708.00</b>	<b>3,378,105.80</b>	<b>0.00</b>	<b>0.00</b>	<b>3,378,105.80</b>

St. Mary's College of Maryland  
 FY16 Plant Project Summary  
 for 6/30/16; as of: 8/24/16

FY16 Final Numbers

CARS Subfund	Description	Cum. Budget	Cum. Expenses	FY15 Available	Cumulative Project Budgets	FY16 Approved Budget	FY16 Changes	FY16 Final Budget	CARS Exp	CARS Enc	Balance Remaining	
A	3001	Plant Contingency	35,287.06	8,987.06	26,300.00	35,287.06	26,300.00	20,000.00	46,300.00	0.00	0.00	46,300.00
A	3003	Misc Maint & Repair	3,414,491.25	3,260,695.26	153,795.99	3,414,491.25	153,795.99	507,488.00	661,283.99	577,407.55	61,720.43	22,156.01
	3004	Misc Small Enhancement	1,254,283.42	1,213,914.17	40,369.25	1,254,283.42	40,369.25	122,899.10	163,268.35	129,263.57	15,655.00	18,349.78
A	3020	Site Improvements	552,359.23	507,172.86	45,186.37	552,359.23	45,186.37	86,170.00	131,356.37	36,339.76	2,400.00	92,616.61
A	3022	Campus Master Plan	411,515.02	372,095.72	39,419.30	411,515.02	39,419.30		39,419.30	0.00	22,650.20	16,769.10
A	3090	Parking Lot Improvements	574,233.00	449,862.34	124,370.66	574,233.00	124,370.66		124,370.66	0.00	0.00	124,370.66
A	3121	Misc. Residence Hall Projects	1,264,152.36	1,249,271.42	14,880.94	1,264,152.36	14,880.94	212,000.00	226,880.94	45,216.97	133,253.58	48,410.39
	3184	MH Refurbishments	489,148.00	425,099.29	64,048.71	489,148.00	64,048.71	93,012.00	157,060.71	141,169.00	4,900.00	10,991.71
A	3189	Schaefer Window Replacement	156,232.00	151,034.00	5,198.00	156,232.00	5,198.00		5,198.00	0.00	0.00	5,198.00
A	3206	AA Hall Replacement-Miscellaneous	59,593.00	45,952.80	13,640.20	59,593.00	13,640.20	250,000.00	263,640.20	27,742.67	41,357.48	194,540.05
A	3211	Chancellor's Point Renovation	60,000.00	34,468.61	25,531.39	60,000.00	25,531.39		25,531.39	0.00	0.00	25,531.39
A	3221	Schaefer HVAC Renovations	320,000.00	297,858.36	22,141.64	320,000.00	22,141.64	0.00	22,141.64	11,153.48	5,221.33	5,766.83
A	3222	PG & Caroline Air Handler	291,596.00	291,595.00	1.00	291,596.00	1.00		1.00	0.00	0.00	1.00
	3223	Dorchester & QA Renovations	448,297.75	448,297.75	0.00	448,297.75	0.00		0.00	0.00	0.00	0.00
A	3225	Athletics Renovation	100,683.00	90,684.70	9,998.30	100,683.00	9,998.30		9,998.30	7,868.30	0.00	2,130.00
A	3226	AA Hall Green Building Design	164,000.00	34,960.00	129,040.00	164,000.00	129,040.00		129,040.00	0.00	0.00	129,040.00
A	3227	New Academic Building Facility Prg	104,567.00	70,237.55	34,329.45	104,567.00	34,329.45		34,329.45	19.42	350.00	33,960.03
A	3229	HSMC Chancellors Point	6,161.00	0.00	6,161.00	6,161.00	6,161.00	(4,661.00)	1,500.00	0.00	1,500.00	0.00
	3230	Traffic Calming Project	148,000.00	39,680.75	108,319.25	148,000.00	108,319.25		108,319.25	37,600.18	0.00	70,719.07
A	3231	Residence Hall Renewal	4,961,973.00	2,675,764.44	2,286,208.56	4,961,973.00	2,286,208.56		2,286,208.56	1,654,179.72	647,829.87	(15,801.03)
	3232	Public Safety Building	106,121.00	0.00	106,121.00	106,121.00	106,121.00	7,400.90	113,521.90	113,521.90	0.00	0.00
	6501	GSMRF	490,610.57	318,176.65	172,433.92	490,610.57	172,433.92		172,433.92	46,006.54	0.00	126,427.38
	3234	Debt Service	400,000.00	0.00	400,000.00	400,000.00	400,000.00		400,000.00	303,235.55	0.00	96,764.45
	3233	Sun Trust - LOC	200,000.00	149,181.52	50,818.48	200,000.00	50,818.48		50,818.48	12,904.00	0.00	37,914.48
		<b>Total Project Budgets</b>	<b>16,013,303.66</b>	<b>12,134,990.25</b>	<b>3,878,313.41</b>	<b>16,013,303.66</b>	<b>3,878,313.41</b>	<b>1,294,309.00</b>	<b>5,172,622.41</b>	<b>3,143,628.61</b>	<b>936,837.89</b>	<b>1,092,155.91</b>

[H]

		17,307,612.66	15,278,618.86	2,028,993.80								
I	3224	Pier Rebuild Project	206,625.00	206,625.00	0.00	206,625.00	0.00	13,700.00	13,700.00	0.00	0.00	13,700.00
		<b>Inactive Project Budgets</b>	206,625.00	206,625.00	0.00	206,625.00	0.00	13,700.00	13,700.00	0.00	0.00	13,700.00
		<b>Total Project Budgets</b>	<b>16,219,928.66</b>	<b>12,341,615.25</b>	<b>3,878,313.41</b>	<b>16,219,928.66</b>	<b>3,878,313.41</b>	<b>1,294,309.00</b>	<b>5,186,322.41</b>	<b>3,143,628.61</b>	<b>936,837.89</b>	<b>1,105,855.91</b>

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
ACTION ITEM II.C.  
2016 PERFORMANCE ACCOUNTABILITY REPORT**

**RECOMMENDATION**

The Finance, Investment, and Audit Committee recommends that the Board of Trustees approve the 2016 Performance Accountability Report for submission to the Maryland Higher Education Commission. This recommendation is contingent upon the endorsement of the Student Affairs Committee and the Academic Affairs Committee.

**RATIONALE**

The Performance Accountability Report (PAR) is a report required by the State of Maryland that assesses the College's progress on a variety of goals and objectives including academics, enrollment, retention and graduation, financial aid, and student outcomes. The report provides data on specific metrics as well as narrative describing strengths and challenges. Maryland law requires institutions to submit their PAR to the Maryland Higher Education Commission for review, and final submission to the Governor and General Assembly.

## ST. MARY'S COLLEGE OF MARYLAND

### 1. MISSION

St. Mary's College of Maryland is Maryland's honors college, a selective, public liberal arts college—a vibrant community of scholars and learners. We foster a rigorous and innovative curriculum; experiential learning; scholarship and creativity; close mentoring relationships; and a community dedicated to honesty, civility, and integrity. We are committed to diversity, access, and affordability. Our students, faculty and staff serve local, national, and global communities and cultivate and promote social responsibility.

### 2. INSTITUTIONAL ASSESSMENT

#### **FY16 Highlights**

Significant changes and events occurring at St. Mary's College of Maryland during FY16 included the following.

- The College developed an ambitious three-year strategic plan for 2016-2019, which was approved by the Board of Trustees in May 2016.
- Anne Arundel Hall construction was completed, and opened in August 2016 for the Fall 2016 semester. Anne Arundel Hall provides additional classroom, office, and laboratory space for Anthropology, International Languages and Cultures, Museum Studies, and Historic St. Mary's City.
- The College successfully finished its capital campaign to raise \$2.5 million in capital funds toward the \$76 million in state funding for a new academic building and athletic complex.
- The 2015 decennial Middle States Commission on Higher Education reaccreditation site visit was held in October 2015. The College was commended for its performance on many fronts and remains accredited. A warning was issued regarding one of the 14 standards, assessment of student learning, and this has resulted in an intensive and comprehensive reformulation of institutional assessment launched in February 2016. A Monitoring Report will be submitted to the Middle States Commission in March 2017 for consideration of removal of the warning status.
- Dr. Michael R. Wick has been appointed as the Provost and Dean of Faculty.
- Two new curricular offerings were approved: a cross-disciplinary minor in materials science, which combines aspects of physics, chemistry, biology, and mathematics; and an archaeology concentration within the existing anthropology major.
- The College approved the offering of Bachelor of Science (B.S.) degrees in six disciplines: biology, biochemistry, chemistry, computer science, physics, and psychology, beginning in 2016-17. Students in these disciplines will earn a B.S. instead of a Bachelor of Arts (B.A.).

- The College began a substantial upgrade to wired and wireless network infrastructure on campus, to increase coverage and capacity and improve network security in all academic and office buildings on campus.
- Men's and women's rowing were added as varsity sports to begin in Fall 2016.
- The College's Health Services office was combined with the Counseling and Psychological Services office to create an integrated Wellness Center that can provide more comprehensive care for students.

## **Analysis of Goals and Objectives**

### **Goal 1: Ensure a high quality and rigorous academic program.**

#### *Strengths*

Objective 1.1: St. Mary's students continue to complete one-on-one learning experiences, including a number of high-impact practices, at high rates with some variability from year to year. The 2016-19 Strategic Plan includes a number of objectives related to expanding opportunities for high-impact practices and one-on-one learning experiences for all students, as we continue to strive toward the goal of 80%.

Objective 1.2: The College is committed to offering a rigorous curriculum taught by qualified faculty. The College has met or exceeded the targeted percent of full-time faculty who have terminal degrees for three of the past five years, and these full-time faculty teach the great majority of undergraduate credit hours as indicated by meeting or exceeding the target for the past two years.

Objective 1.3: St. Mary's College continues to maintain a high quality academic program. A low student faculty ratio combined with qualified full-time professors are essential in the success of achieving and maintaining a high quality academic program.

### **Goal 2: Recruit, support, and retain a diverse and qualified group of students, faculty and administrative staff.**

#### *Strengths*

Objective 2.1: The College was able to recruit a first-year class that exceeded the goal for the percentage of minority students for the third year in a row, and met the goal for those receiving Pell grants. Additionally, the College continues to attract a significant portion of its entering class from first generation college students, with the percentage remaining steady at 19% (just below the goal of 20%) for the last three years.

Objective 2.2: The four-year graduation rate for all first-year students has rebounded over the last two years and now shows strong performance in most categories. First-generation and Pell recipient students, two at-risk groups, showed particularly strong four-year graduation rates in

FY16 relative to the targets. The four-year graduation rate for minority students was at the highest level in six years.

*Peer Benchmarks:* Based on the most recent comparison data available (FY14), the College's overall four-year graduation rate (65%) far exceeded those of other public liberal arts colleges (COPLAC schools, average = 33%) and Maryland public four-year institutions (average = 28%), and are on par with peer institutions (average = 65%), many of which are private. (Source: IPEDS Data Center)

Objective 2.3: While the specific target for the first to second-year retention rate was not met in FY16, the rate has remained high and relatively stable for the past four years. Early estimates indicate that this rate will increase for the entering class (FY17).

*Peer Benchmarks:* Based on the most recent data available (FY15), the College's first-to-second year retention rate (86%) was well above those of other public liberal arts colleges (COPLAC schools, average = 75%) and Maryland public four-year institutions (average = 80%), and are on par with peer institutions (average = 85%), many of which are private. (Source: IPEDS Data Center)

Objective 2.4: The College continues to work toward its goal to maintain a diverse faculty and staff. Goals for gender equality among the faculty have been nearly met, and among the staff have been exceeded, for the past four years. The proportion of faculty who belong to minority groups has been steadily increasing over the past five years, while the proportion of minority individuals among full-time staff has been holding relatively steady close to the goal. Further increases are projected over the next two years as these objectives are integrated into the 2016-19 Strategic Plan.

Objective 2.5: The College has achieved and exceeded the target of an entering class that contains 20% transfer students, and this level is expected to increase slightly in the near future.

### *Challenges*

Objective 2.1: The median SAT scores of the entering class have continued to decline slightly in recent years. St. Mary's strives to use a holistic admissions process, prioritizing overall "fit" and multiple indicators of success rather than relying heavily on GPA and SAT scores alone. The College will continue to closely monitor the recent entering classes for signs of struggling students. Also, although the percentage of out-of-state students increased in FY16, the College continues to face challenges in recruiting and enrolling students from outside of Maryland. Several strategies have been implemented by the Offices of Admissions and Financial Aid to address this challenge, including more intensive recruitment efforts outside of Maryland; expanded use of social media; and critical examination of financial aid packages for out-of-state students.

*Peer Benchmarks:* Despite falling short of our own target for SAT scores, the median SAT score of St. Mary's entering students continues to exceed that of most other Maryland four-year institutions (FY16 average = 1021), and our students rank well against high school

seniors both in Maryland (FY16 average = 984) and nationwide (FY16 average = 1006).  
(*Source: MHEC 2016 Data Book*)

Objective 2.2: Nearly all six-year graduation rates, which are normally very strong, were lower than normal in FY16. As discussed in previous reports, the FA10 entering cohort appears to have been an anomalous class who displayed lower-than-normal persistence at multiple time points (first-to-second, third, and fourth year, and four-year graduation). Twenty-two of these students (5% of the cohort) are currently listed as on a leave of absence, leaving open the possibility that they may eventually return to earn a degree outside of the six-year period. Two groups from this cohort who demonstrated strong six-year graduation rates are Hispanic students, at 82% relative to a goal of 80%, and Pell grant recipients, at 69% relative to a goal of 68%. Both of these groups are projected to continue to show strong six-year graduation rates. The overall six-year graduation rate is projected to rebound in coming years as well.

*Peer Benchmarks:* Despite falling short of our own targets for six-year graduation rates, the most recent comparison data available (FY14) show that the College's overall six-year graduation rate (81%) has historically exceeded that of COPLAC institutions (average = 51%), Maryland public four-year institutions (average = 48%), and peer institutions (average = 74%). (*Source: IPEDS Data Center*)

Objective 2.6: The three-year graduation rate for transfer students was lower than the target this year, although past years have been at or above the target and projections indicate a return to the target of 60% in the next two years. We will continue to explore strategies to support transfer students and ensure their timely graduation, for example through the development of articulation agreements such as those already in place with multiple Maryland two-year institutions.

**Goal 3: Ensure access for students with financial need through a strategic combination of federal, state, private, and institutional funds.**

*Strengths*

Objective 3.1: This objective has consistently been met as the College has focused meeting the financial needs of entering first-time students.

Objective 3.2: These performance measures reveal that students receiving need-based aid in their first year at the College are successfully persisting at St. Mary's. While the specific performance targets were not all met this year, students receiving need-based aid performed on a level comparable to the overall student population with regard to first-to-second year retention, four-year graduation, and six-year graduation.

**Goal 4: Increase student contributions to the Maryland community and to the state and national workforce.**

*Strengths*

Objectives 4.1 and 4.2: St. Mary's prides itself in preparing students for life after college.

Recently, the College has focused on community service (4.1) and promoting internships (4.2) and these efforts appear to be succeeding. Community service participation has risen sharply from levels over the past two years, and internships are on the rise as well although still short of the target.

Data regarding employment rates and graduate school attendance of five-year-out graduates will be available after our annual Alumni Survey is administered in Fall 2016.

### ***Response to Commission Assessment***

*The College is to be commended for meeting or exceeding many of the performance measures established for recruiting its freshman class in 2014. The College has set a goal of having at least 20% of the incoming class of freshmen come from families that live outside the state, yet this performance measure has fluctuated between 15% (fall 2012 incoming class) and 6% (fall 2014 incoming class). Please discuss the College's strategies for improving and sustaining performance on this indicator.*

As noted above (Objective 2.1), the College continues to face challenges in recruiting and enrolling students from outside of Maryland. Based on analysis of enrollment trends over the past several years, we have reset this goal to be 10% of the incoming first-year class. (This revision can be seen in the attached Managing For Results Excel template.) To reach this goal for the fall 2017 class, several strategies are in place, as described below.

- The admissions office has enhanced its recruitment of out-of-state students by reorganizing all counselor territories to include out-of-state responsibilities, resulting in an increase from two to seven counselors working with out-of-state students.
- Two new open house events have been added to the fall schedule this cycle. In addition to our two traditional fall open houses, we have added Discover St. Mary's Days on Columbus and Veterans Day. This will provide greater opportunities for all prospective students including out-of-state to visit and learn about SMCM.
- SMCM has signed a MOU with the country of Aruba to facilitate the enrollment of up to 20 new international students in the spring and fall of 2017. We will be attending their national college fair on November 3rd and 4th to build presence. Our first student from Aruba arrived this fall.
- College fair visits have been increased 37% from 70 in 2015 to 96 in 2016, a move designed to reach more potential SMCM prospective students for fall 2017. The additional fairs are in out-of-state locations that are considered prime targets. These areas include VA, DC, NC, Southeastern and Central PA, and NJ.
- The college has expanded its financial aid programs to provide additional scholarship opportunities for high achieving students from out-of-state. This includes Merit Scholarships and Visit Scholarships for applicants from out-of-state.

# St. Mary's College of Maryland

## MISSION

St. Mary's College of Maryland is Maryland's honors college, a selective, public liberal arts college—a vibrant community of scholars and learners. We foster a rigorous and innovative curriculum; experiential learning; scholarship and creativity; close mentoring relationships; and a community dedicated to honesty, civility, and integrity. We are committed to diversity, access, and affordability. Our students, faculty and staff serve local, national, and global communities and cultivate and promote social responsibility.

## VISION

St. Mary's College of Maryland will increasingly serve as the liberal arts college of choice for intellectually ambitious students, faculty, and staff from diverse backgrounds, attracted by a rigorous, innovative, and distinctive curriculum that integrates theory and practice; a talented, professionally engaged, and student-centered faculty and staff; and a strong infrastructure. Students will be part of a collaborative learning community that embraces intellectual curiosity and innovation, the power of diversity, and the College's unique environment. Our graduates will thrive as responsible and thoughtful global citizens and leaders.

## KEY GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

### Goal 1. Ensure a high quality and rigorous academic program.

- Obj. 1.1** At least 80 percent of the graduating class will participate in a one-on-one learning experience. This is typically fulfilled through a St. Mary's Project, directed research, independent study, or credit-bearing internship.
- Obj. 1.2** Maintain a full-time faculty of which 98 percent have terminal degrees. Maintain the proportion of undergraduate credit hours taught by full-time faculty at 88 percent annually.
- Obj. 1.3** Maintain an environment that promotes individual contact between faculty and students by maintaining a student-faculty ratio of no more than 12 to 1.

Performance Measures	2012 Act. (FY12)	2013 Act. (FY13)	2014 Act. (FY14)	2015 Act. (FY15)	2016 Act. (FY16)	2017 Est. (FY17)	2018 Est. (FY18)
Percent of the graduating class successfully completing a one-on-one learning experience	77%	73%	79%	74%	77%	75%	75%
Percent of all full-time faculty who have terminal degrees	99%	97%	100%	100%	97%	98%	98%
Percent of undergraduate credit hours taught by full-time faculty	82%	87%	87%	88%	89%	89%	89%
Undergraduate student to faculty ratio (IPEDS calculation)	11:1	10:1	10:1	10:1	11:1	11:1	11:1

### Goal 2. Recruit, support, and retain a diverse and qualified group of students, faculty and administrative staff who will contribute to and benefit from the enriched academic and cultural environment provided by St. Mary's.

## St. Mary's College of Maryland

- Obj. 2.1** Recruit a qualified and diverse entering class with the following attributes: Median verbal and math combined SAT score of at least 1150, average high school grade point average (GPA) of at least 3.40 (4 point scale), minority enrollment of at least 25 percent, out of state student enrollment of at least 10 percent, students from first generation households enrollment of at least 20 percent, and Pell Grants disbursed during their first semester student enrollment of at least 20 percent.
- Obj. 2.2** Achieve and maintain 4-year graduation rates for all students (70 percent), all minorities (59 percent), African-American students (51 percent), Hispanic students (70 percent), all first generation students (65 percent), and all students with a Pell Grant disbursed during their first semester (58 percent). Maintain 6-year graduation rates for all students (80 percent), all minorities (74 percent), African-American students (71 percent), Hispanic students (80 percent), all first generation students (78 percent) and all Pell Grants disbursed during their first semester (68 percent).

Performance Measures	2012 Act. (FY12)	2013 Act. (FY13)	2014 Act. (FY14)	2015 Act. (FY15)	2016 Act. (FY16)	2017 Est. (FY17)	2018 Est. (FY18)
Median (verbal and mathematics combined) SAT scores of first year entering class	1,220	1,210	1,190	1,165	1,150	1,144	1,144
Average high school GPA	3.32	3.34	N/A	3.39	3.36	3.41	3.41
Percent of entering first year class who are minorities	19%	17%	27%	33%	27%	25%	25%
Percent of entering first year class who originate from outside of Maryland	13%	15%	10%	6%	8%	8%	9%
Percent of entering first year class from first generation	19%	15%	19%	19%	19%	23%	20%
Percent of entering first year class receiving Pell Grants disbursed	19%	12%	23%	18%	21%	21%	21%
Four-year graduation rate for all students	72%	67%	65%	70%	71%	67%	70%
Four-year graduation rate for all minorities	61%	59%	57%	54%	62%	54%	67%
Four-year graduation rate for African-American students	54%	54%	41%	49%	48%	59%	50%
Four-year graduation rate for Hispanic students	63%	55%	68%	71%	67%	55%	76%
Four-year graduation rate for all first generation students	71%	63%	58%	68%	79%	63%	65%
Four-year graduation rate for students with a Pell Grant disbursed during their first semester	57%	41%	56%	66%	76%	64%	65%
Six-year graduation rate for all students	81%	79%	81%	78%	73%	77%	79%
Six-year graduation rate for all minorities	68%	69%	80%	84%	68%	65%	71%
Six-year graduation rate for African-American students	63%	70%	77%	83%	56%	56%	52%
Six-year graduation rate for Hispanic students	76%	65%	79%	86%	82%	79%	86%
Six-year graduation rate for all first generation students	79%	73%	84%	77%	69%	73%	84%

Six-year graduation rate for students with a Pell Grant disbursed during their first semester	57%	64%	78%	65%	69%	68%	80%
---	-----	-----	-----	-----	-----	-----	-----

**Obj. 2.3** The first to second-year retention rate will be 90 percent.

**Obj. 2.4** The College will strive for diversity in the faculty and staff so that the composition reflects the aspired diversity of the student body. The aspirant goal for full-time faculty and staff will be: all minorities (20 percent and 28 percent), and women (50 percent and 50 percent).

**Obj. 2.5** Ensure access for transfer students, particularly those from 2-year institutions. Achieve and maintain transfer students at 20 percent of the entering class each fall.

**Obj. 2.6** Achieve and maintain degree completion rates for transfer students at 60 percent for three-year graduation rates, and at 70 percent for four-year graduation rates.

Performance Measures	2012 Act. (FY12)	2013 Act. (FY13)	2014 Act. (FY14)	2015 Act. (FY15)	2016 Act. (FY16)	2017 Est. (FY17)	2018 Est. (FY18)
First to second-year retention rate	87%	87%	90%	86%	86%	88%	88%
Percent minority of all full-time tenured or tenure-track faculty	12%	14%	17%	17%	18%	19%	20%
Percent women of all full-time tenured or tenure-track faculty	46%	47%	49%	47%	47%	47%	47%
Percent minority of all full-time (non-faculty) staff	27%	25%	24%	23%	24%	25%	26%
Percent women of all full-time (non-faculty) staff	55%	56%	56%	57%	54%	55%	55%
Percentage of entering fall class who are transfer students	16%	16%	20%	21%	22%	25%	25%
3-year graduation rate for all transfer students	56%	61%	60%	61%	53%	62%	61%
4-year graduation rate for all transfer students	66%	71%	73%	67%	73%	64%	73%

**Goal 3. Ensure access for students with financial need through a strategic combination of federal, state, private, and institutional funds.**

**Obj. 3.1** 72 percent of entering first-year student need is met by awarding any need-based aid.

**Obj. 3.2** Support persistence to graduation of students receiving need-based aid at entry. Achieve and maintain first-to-second year retention rates at 90 percent, four-year graduation rates at 70 percent, and six-year graduation rates at 80 percent of students receiving need-based aid in the first semester.

Performance Measures	2012 Act. (FY12)	2013 Act. (FY13)	2014 Act. (FY14)	2015 Act. (FY15)	2016 Act. (FY16)	2017 Est. (FY17)	2018 Est. (FY18)
Average percent of first-time full-time degree-seeking student need met by awarding need-based aid	68%	70%	75%	71%	73%	73%	73%
First-to-second year retention rate for students receiving need-based aid in the first semester	85%	86%	91%	86%	86%	86%	86%

# St. Mary's College of Maryland

II.C.

Four-year graduation rate for students receiving need-based aid in the first semester	72%	63%	64%	71%	73%	68%	67%
Six-year graduation rate for students receiving need-based aid in the first semester	75%	71%	84%	76%	72%	74%	78%

## St. Mary's College of Maryland

**Goal 4. Increase student contributions to the Maryland community and to the state and national workforce.**

- Obj. 4.1** 65 percent of graduating seniors will have performed community service while at SMCM.
- Obj. 4.2** 45 percent of graduating seniors will have participated in a paid or unpaid internship.
- Obj. 4.3** The rate of employment among five-year out alumni will be 95 percent.
- Obj. 4.4** At least 50 percent of the five-year-out alumni of SMCM will pursue an advanced degree.

Performance Measures	2012 Act. (FY12)	2013 Act. (FY13)	2014 Act. (FY14)	2015 Act. (FY15)	2016 Act. (FY16)	2017 Est. (FY17)	2018 Est. (FY18)
Percent of graduating seniors who will have performed community service while at SMCM	73%	75%	62%	62%	70%	70%	70%
Percent of graduating seniors who fulfilled a paid or unpaid internship	55%	50%	47%	40%	43%	45%	45%
<sup>1</sup> Employment rate of five-year-out alumni	90%	95%	92%	91%	*	*	*
Percent of alumni pursuing or obtained an advanced degree five years after graduation	67%	54%	44%	48%	*	*	*

**NOTES**

---

<sup>1</sup> Due to issues encountered with the Spring 2014 and 2015 Alumni survey administration, these numbers have been partially extrapolated based on previous years' reports.

\* Data will be available after administration of Alumni survey in October 2016.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
ACTION ITEM II.D.  
FINANCIAL CONFLICT OF INTEREST POLICY AND PROCEDURES IN  
SPONSORED RESEARCH**

**RECOMMENDED ACTION**

The Finance, Investment, and Audit Committee recommends approval by the Board of Trustees, St. Mary's College of Maryland, of the Financial Conflict of Interest Policy and Procedures in Sponsored Research.

**RATIONALE**

St. Mary's College of Maryland is required to implement and comply with various regulations when federal funding is sought. The purpose of this Policy is to comply with National Science Foundation provisions and Public Health Service regulatory requirements and their goal of promoting objectivity in federally funded research by establishing standards that provide a reasonable expectation that the design, conduct, and reporting of research funded under NSF and PHS grants, cooperative agreements and contracts will be free from bias resulting from Investigators' Financial Conflicts of Interest.

The Conflict of Interest Policy in Research or Development that was approved by the St. Mary's College of Maryland Board of Trustees on October 6, 2012 is not sufficient to comply with U.S. Public Health Service regulations on Responsibility of Applicants for Promoting Objectivity in Research (42 C.F.R. Part 50, Subpart F), regulations on Responsible Prospective Contractors (45 C.F.R. Part 94), or provisions of the National Science Foundation ("NSF") (60 FR 35820).

The St. Mary's College of Maryland Policy and Procedures for Financial Conflict of Interest will replace the current policy (noted above).

**ST. MARY'S COLLEGE OF MARYLAND POLICY AND PROCEDURES**  
**FINANCIAL CONFLICT OF INTEREST**  
**Effective Date: October 15, 2016**

**I. Purpose**

St. Mary's College of Maryland ("St. Mary's") adopts this Policy and Procedures (the "Policy") as required to implement and to comply with U.S. Public Health Service ("PHS") regulations on Responsibility of Applicants for Promoting Objectivity in Research for which PHS Funding is Sought (42 C.F.R. Part 50, Subpart F), regulations on Responsible Prospective Contractors (45 C.F.R. Part 94), and provisions of the National Science Foundation ("NSF") (60 FR 35820). The purpose of this Policy is to comply with NSF provisions and PHS regulatory requirements and their goal of promoting objectivity in federally funded research by establishing standards that provide a reasonable expectation that the design, conduct, and reporting of research funded under NSF and PHS grants, cooperative agreements and contracts will be free from bias resulting from Investigators' Financial Conflicts of Interest.

**II. Applicability**

This Policy applies to any application for or receipt of federally funded research ("Funded Research") from PHS, including the National Institutes of Health ("NIH"), or NSF, whether such funding is by means of a grant, cooperative agreement or contract. This Policy applies to any investigator of Funded Research. This Policy, however, shall only apply to Funded Research with an issue date of the Notice of Award on or after the Effective Date of this Policy. Notwithstanding anything contained herein, this Policy does not apply to any Small Business Innovation Research Program ("SBIR") or Small Business Technology Transfer ("STTR") Program Phase I applications.

**III. Definitions**

- A. Effective Date:** This Policy was presented to the St. Mary's College of Maryland Board of Trustees for approval at its meeting on October 15<sup>th</sup>, 2016.
- B. Family:** Any member of the Investigator's immediate family, specifically, any dependent children and spouse or partner.
- C. Funded Research:** Any research funded by or proposed to be funded by PHS, including the National Institutes of Health ("NIH"), and NSF by means of a grant, cooperative agreement, or contract.
- D. Financial Conflict of Interest ("FCOI"):** A Significant Financial Interest that could directly or significantly affect the design, conduct, or reporting of Funded Research.
- E. Financial Interest:** Anything of monetary value, whether or not the value is readily attainable.
- F. Institution:** St. Mary's College, generally referred to as St. Mary's.

- G. Institutional Official:** The individual within the Institution who has been designated to solicit and review disclosures from Investigators (and their families) of significant financial interests related to the Investigator's institutional responsibilities. For purposes of this Policy, the Institutional Official will be the Provost, or a designated representative.
- H. Institutional Responsibilities:** An Investigator's professional responsibilities on behalf of St. Mary's, and as defined by its Policy, to include (but may not be limited to): research, research consultation, teaching, professional practice, institutional committee memberships, and service on panels such as institutional review boards.
- I. Investigator:** The project director, the principal investigator, co-principal investigators, co-project directors and any other person, regardless of title or position at St. Mary's, who is responsible for the design, conduct, or reporting of Funded Research or proposed for such funding, including but not limited to collaborators or consultants.
- J. Public Health Service (PHS):** The Public Health Service of the U.S. Department of Health and Human Services, and any components of the PHS to which the authority involved may be delegated, including the National Institutes of Health (NIH).
- K. Research:** A systematic investigation, study or experiment designed to develop or contribute to generalizable knowledge relating broadly to science and public health, including behavioral and social-sciences research. The term encompasses basic and applied research (e.g., a published article, book or book chapter) and product development (e.g., a diagnostic test or drug). As used in this policy, the term includes any such activity for which research funding is available from NSF or a PHS Awarding Component through a contract, whether authorized under the PHS Act or other statutory authority.
- L. Significant Financial Interest:** A significant financial interest includes one or more of the following financial interests of the Investigator or an Investigator's family member, that reasonably appears to be related to the Investigator's institutional responsibilities, and that which was received in the prior (12) twelve months:
- a. With regard to any publicly traded entity, a significant financial interest exists if the value of any remuneration received from the entity in the twelve months preceding the disclosure and the value of any equity interest in the entity as of the date of disclosure, when aggregated, exceeds \$5,000. For purposes of this definition, remuneration includes salary and any payment for services not otherwise identified as salary (e.g., consulting fees, honoraria, paid authorship); equity interest includes any stock, stock option, or other ownership interest, as determined through reference to public prices or other reasonable measures of fair market value;
  - b. With regard to any non-publicly traded entity, a *significant financial interest* exists if the value of any remuneration received from the entity in the twelve months preceding the disclosure, when aggregated, exceeds \$5,000, or when

- the Investigator (or the Investigator's spouse or dependent children) holds any equity interest (e.g., stock, stock option, or other ownership interest);
- c. Intellectual property rights and interests (e.g., patents, copyrights), upon receipt of income related to such rights and interests; or
  - d. Any reimbursed or sponsored travel (*i.e.*, that which is paid on behalf of the Investigator and not reimbursed to the Investigator so that the exact monetary value may not be readily available), related to their Institutional responsibilities; provided, however, that this disclosure requirement does not apply to travel that is reimbursed or sponsored by a Federal, state, or local government agency, an Institution of higher education as defined at 20 U.S.C. 1001(a), an academic teaching hospital, a medical center, or a research institute that is affiliated with an Institution of higher education.
2. The term “Significant Financial Interest” does **not** include the following:
    - a. Salary, royalties, or other remuneration paid by St. Mary’s to the Investigator if the Investigator is currently employed or otherwise appointed by St. Mary’s, including intellectual property rights assigned to St. Mary’s and agreements to share in royalties related to such rights;
    - b. Income from investment vehicles, such as mutual funds and retirement accounts, as long as the Investigator does not directly control the investment decisions made in these vehicles;
    - c. An asset in a blind trust, but only if (i) the asset is not known to the Investigator (e.g. it was purchased by the trust with proceeds from assets originally placed in the trust), and (ii) the trust is managed by an independent fiduciary;
    - d. Income from seminars, lectures, or teaching engagements sponsored by: a federal, state, or local government agency; an institution of higher education (as defined at 20 U.S.C. §1001(a)); an academic teaching hospital; a medical center; or a research institute that is affiliated with an institution of higher education;
    - e. Income from service on advisory committees or review panels of: a federal, state, or local government agency; an institution of higher education (as defined at 20 U.S.C. §1001(a)); an academic teaching hospital; a medical center; or a research institute that is affiliated with an institution of higher education; or

#### IV. Disclosures

- A. All investigators are required to disclose their financial conflicts of interest to St. Mary’s on an **annual basis**, as described below, using the St. Mary’s Financial Conflict of Interest Disclosure Form (click [here](#) to obtain form). There may be instances where **ad hoc** disclosures are required (see section E below).
- B. As required by federal regulations, all significant financial interests must be disclosed *prior* to the time a proposal is submitted to the relevant federal government agency (*i.e.*, NIH, NSF). All financial disclosures must be updated by investigators during the period

of the award, either on an annual basis or as new reportable significant financial interests are obtained.

C. Required Disclosures Include:

1. Any significant financial interest of the investigator that would reasonably appear to be affected by the research or educational activities funded, or proposed for funding, by an external sponsor; or
2. Any significant financial interest of the investigator in an entity whose financial interest would reasonably appear to be affected by the research or educational activities funded, or proposed for funding, by an external sponsor.

D. Procedures for Reporting Disclosures:

1. Each investigator who has a significant financial interest requiring disclosure shall complete a Financial Interest Disclosure Form.
2. The completed disclosure form must be submitted with the NSF or PHS grant proposal and the St. Mary's College proposal approval form (PAF) to the research & sponsored programs office.

E. Ad Hoc Disclosures – The following circumstances require ad hoc disclosures:

1. New Hires

All Investigators involved with PHS- or NSF-funded research, must disclose their Significant Financial Interests to the St. Mary's Institutional Official, within 30 days of being appointed or employed.

2. New Grant Proposal or Sub-award

Before submitting grant proposals for PHS or NSF funding or entering into sub-award agreements for PHS or NSF funded research, each Investigator must submit to the Institutional Official an *ad hoc* updated disclosure of his or her Significant Financial Interests.

3. New Significant Financial Interest

Investigators must update their most recently filed disclosure form within thirty (30) days of *acquiring* (e.g., through purchase, marriage or inheritance) a Significant Financial Interest; as well as after or discovering a Significant Financial Interest that was improperly omitted from a prior disclosure form.

4. Travel

Investigators must update their most recently filed disclosure form within thirty (30) days of the event for which Travel Payments were or are expected to be sponsored or reimbursed. When describing applicable reimbursed or sponsored travel, the Investigator must include at a minimum, a description of: the purpose of the trip, the identity of the sponsor/organizer, the destination, and the duration.

**V. Institutional Review of Disclosures**

- A. The provost, or her/his designated representative, shall perform an initial review of all financial disclosures to determine whether an actual or potential conflict of interest

exists. An actual or potential conflict of interest exists when the review reasonably determines that a significant financial interest could directly affect the design, conduct, or reporting of the proposed sponsored project. The provost shall determine what conditions or restrictions, if any, should be imposed by the institution to manage actual or potential conflicts of interest arising from disclosed significant financial interests.

- B. Prior to consideration by the provost, the investigator in collaboration with the research and sponsored programs office shall develop and present a Conflict of Interest Resolution Plan that details proposed steps that will be taken to manage, reduce, or eliminate any actual or potential conflict of interest presented by a significant financial interest in accordance with this Policy and the PHS Regulations.
- C. At a minimum the resolution plan shall address such issues as:
  - 1. Public disclosure of significant financial interests (e.g., when presenting or publishing the Research);
  - 2. Review of research protocol by independent reviewers; and
  - 3. Monitoring of research by independent reviewers.
- D. The provost shall approve the resolution plan after review and consideration of additional conditions or restrictions that may include any of the following:
  - 1. Modification of the research plan;
  - 2. Disqualification from participation in all or a portion of the research funded;
  - 3. Divestiture of Significant Financial Interests; or
  - 4. Severance of relationships that create actual or potential conflicts of interest.
- E. An approved resolution plan shall be incorporated into a Memorandum of Understanding (MOU) between St. Mary's College of Maryland and the investigator that details the conditions or restrictions imposed upon the investigator in the conduct of the project or in the relationship with the business or entity. The MOU shall be signed by the investigator, department chair (or equivalent supervisor) and provost.
- F. The provost, or a designated representative will certify that actual or potential conflicts of interests will be satisfactorily managed, reduced, or eliminated in accordance with these guidelines prior to expending any funds from the applicable federal award or that such conflict will be disclosed to the sponsored agency for action.

## **VI. External Reporting of Financial Conflicts of Interests**

- A. The provost, or a designated representative, is responsible for ensuring that all significant Financial Conflict of Interest reports and other information are submitted to the PHS Unit or NSF, as required by the PHS and NSF Regulations.
- B. Such FCOI reports must be filed:

1. Prior to St. Mary's College of Maryland expenditure of funds under a NSF/PHS Funded Research project;
2. Within sixty (60) days, with respect to any Significant Financial Interest that is identified as a Financial Conflict of Interest subsequent to the initial FCOI report during an ongoing NSF/PHS Funded Research project (e.g. upon the participation of an Investigator who is new to the PHS Funded Research project); and
3. Annually with respect to any Financial Conflict of Interest previously reported with regard to an ongoing NSF/PHS Funded Research project.

#### **VII. Required Disclosures by Collaborators**

All collaborators from other institutions paid as sub-recipients of federal PHS or NSF funds must provide certification that their institutions are in compliance with federal policies regarding Significant Financial Interest disclosure and that their portion of the project is in compliance with their institutional policies.

#### **VIII. Required Training for Investigators**

- A. Each Investigator who is planning to participate in, or is participating in, NSF and PHS Funded Research must complete training related to financial conflicts of interest (regardless of whether or not a Financial Conflict of Interest exists).
- B. Such training must be completed prior to engaging in NSF and PHS Funded Research and:
  1. At least every four (4) years if participating in NSF and PHS Funded Research;
  2. If the Investigator is new to St. Mary's College of Maryland, within sixty (60) days of the commencement of employment but not later than the beginning of NSF/PHS Funded Research by the Investigator;
  3. If Institutional Financial Conflict of Interest policies change in a manner that affects Investigator requirements; or
  4. When so directed as a result of an Investigator's non-compliance with this Policy or any Management Plan.
- C. Training, or access to training, shall be facilitated by St. Mary's College and shall include information regarding this Policy, PHS regulations, and the Investigator's responsibilities under this Policy and the PHS Regulations to disclose Significant Financial Interests of the Investigator (and of the Investigator's spouse and dependent children). As part of this training investigators need to complete training, such as the on-line training certificate program Collaborative Institutional Training Initiative (CITI) module on FCOI, or equivalent training.

#### **IX. Institutional Retention of Records of Financial Disclosures**

Records of the investigator's financial disclosures, training completion reports, and of actions taken to manage actual or potential conflicts of interest shall be retained by the office of research & sponsored programs until three (3) years after the termination or completion of the award to which they relate, or the resolution of any government action involving those records, whichever comes later.

**X. Policy Violations**

Whenever an investigator has violated this policy or the terms of the MOU, the provost shall recommend actions consistent with PHS regulation and St. Mary's College of Maryland research misconduct policy.

**XI. Confidentiality**

To the extent permitted by law, including but not limited to the Maryland Public Information Act, Maryland Code Annotated, State Government, Title 10, subtitle 6, as amended from time to time, all disclosure forms and related information will be kept confidential.

**XIII. Regulatory Authority**

This policy implements the requirements 42 CFR 50, subpart F – Promoting Objectivity in Research for Which PHS Funding is Sought; and 45 CFR 94 – Responsible Prospective Contractors. Where there are substantive differences between this policy and the requirements set forth in 42 CFR 50 and 45 CFR 94, those requirements shall take precedence.

Click [here](#) to obtain the St. Mary's College Financial Conflict of Interest Form.

**Possible Financial Conflict of Interest Disclosure Form**

<b>Project Title:</b>
<b>Funding Agency and Program:</b>
<b>Principal Investigator(s):</b>

St. Mary's College of Maryland (St. Mary's) investigators who receive funding from NIH/NSF (or any other funding agency requiring FCOI disclosure) need to determine what constitutes a reportable FCOI and truthfully disclose any such conflict. To this end, investigators need to read the provided [St. Mary's FCOI Policy](#) and complete the [NIH FCOI tutorial](#) (<http://grants.nih.gov/grants/policy/coi/tutorial2011/fcoi.htm>) **or** the [CITI FCOI tutorial](#) available to all St. Mary's employees (contact Adam Malisch, Research Administrator, for details: [ajmalisch@smcm.edu](mailto:ajmalisch@smcm.edu)). If, after taking the FCOI tutorial(s), you have questions about a potential FCOI, please contact Adam Malisch. After taking the tutorial, please indicate if you have a reportable FCOI as defined in either the NIH or CITI tutorial:

Yes: \_\_\_\_\_ No: \_\_\_\_\_

Once you have completed this form and an FCOI tutorial, please send the completed Possible Financial Conflict of Interest Disclosure Form to Adam Malisch ([ajmalisch@smcm.edu](mailto:ajmalisch@smcm.edu)) **and** Director of Research and Sponsored Programs Sabine Dillingham ([sldillingham@smcm.edu](mailto:sldillingham@smcm.edu)) for review. If you completed the NIH FCOI tutorial, please also send the NIH Completion Certificate. If you completed the CITI FCOI tutorial, there is no need to send a completion certificate; we can confirm completion directly through CITI.

By signing this form, you confirm that you have a) read the St. Mary's FCOI Policy, b) taken an FCOI tutorial, and c) truthfully disclosed any FCOI.

Date \_\_\_\_\_

PI Name \_\_\_\_\_

PI Signature \_\_\_\_\_

**ST. MARY'S COLLEGE OF MARYLAND  
BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
ACTION ITEM II.E.  
DEACCESSION OF ARTWORK – VALE PAINTING**

**RECOMMENDED ACTION**

The Finance, Investment, and Audit Committee recommends approval by the Board of Trustees, St. Mary's College of Maryland, for the deaccession of the Vale painting from the College's Art Collection and the return of the painting to the William Thomas Rowe Family as represented by Ms. Mary Jane Rowe.

**RATIONALE**

In 2004, the William Thomas Rowe Family, gifted to the College a painting by the late Thomas Rowe entitled *Vale*. Thomas Rowe was a long-time faculty member at the College, establishing the art department in 1968 and retiring in 1989.

Ms. Mary Jane Rowe, daughter of the artist, has requested that the painting be returned to the family. The painting currently hangs in Daugherty-Palmer Commons.

The College wishes to respect Ms. Rowe's request and agrees to return the Vale painting to the family. Under the *Collection Management Plan of the St. Mary's College of Maryland Art Collection*, the Board of Trustees must approve the deaccession of any art from the Art Collection.

**BOARD OF TRUSTEES**

**FINANCE, INVESTMENT, AND AUDIT COMMITTEE**

**MINUTES**

**Date of Meeting:** July 18, 2016

**Status of Minutes:** Approved August 9, 2016

**Committee Members Present:** John Wobensmith '93, Lex Birney, Donny Bryan '73, Katharine Russell, Asif Dowla

**Committee Members Absent:** Sven Holmes, Mike O'Brien '68

**Others Present:** Tuajuanda Jordan, Chip Jackson, Michael Wick, Gary Sherman, Carolyn Curry, Leonard Brown, Chris True, Shannon Jarboe, Anna Yates, Mary Grube, Maury Schlesinger

**Executive Summary:**

The meeting was called to order at 1:03 p.m.

Action items were reviewed and discussed.

**Action Item(s):**

**II.A.1. Approval of the FY17 Current Fund Operating Budget:** The proposed FY17 Operating Budget totals \$75.5 million. The proposed Budget is based on an adjusted estimate of student enrollment totaling 1,523 full-time students, 19 less than originally projected. Tuition rates for both in-state and out-of-state students increase 2% and Auxiliary fees increase 3% as approved at the January 2016 Board of Trustees meeting.

State funds include full funding of the College's block grant plus a \$1.1 million one-time grant to replace the administrative software system.

Approximately \$0.3 million of expense reductions are incorporated into the proposed FY17 operating budget to allow, with the rate changes and additional state support, the incorporation of the Anne Arundel Hall operating budget impacts, modest new programmatic and initiative changes tied to the Strategic Plan, and funds for staff and faculty salary changes.

**II.A.2. Approval of FY 2017 Plant Fund Capital Budget:** The proposed FY17 Plant Budget is composed of projects recommended by the Committee on Buildings and Grounds. The \$1.35 million budget is funded from the student facility fee. Also, excluded from the budget is approximately \$10 million in infrastructure projects provided by the State over the next four years.

**Committee Action Taken/Action in Progress:**

The proposed action items were approved by the Finance, Investment, and Audit Committee at its meeting on July 18, 2016.

**Recommendation to the Board:**

The Finance, Investment, and Audit Committee recommended approval of these action items by the Board of Trustees at its meeting on July 21, 2016.

Meeting adjourned at 1:13 p.m.

**BOARD OF TRUSTEES  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MINUTES**

**Date of Meeting:** May 12, 2016

**Status of Minutes:** Approved August 9, 2016

**Committee Members Present:** Chair John Wobensmith '93, Gail Harmon, Sven Holmes, Lex Birney, Carlos Alcazar, Peter Bruns

**Committee Members Absent:** Ann McDaniel, Deborah Lawrence

**Others Present:** Tuajuanda Jordan, Chip Jackson, Leonard Brown, Gary Sherman, Carolyn Curry, Michael Wick, Laraine Glidden, Chris True, Dan Branigan, Chris Burch, Mary Grube, Shannon Jarboe, Kathy Grimes, Ledesa Eddins, Anna Yates, Tommy Cable

**Executive Summary:**

The meeting was called to order at 8:03 a.m.

**DISCUSSION ITEMS**

**Expanding Revenue Sources Update:** The Committee was provided with an update on initiatives to expand the College's revenue. Growth in enrollment represents the most significant area for expanding revenue, including out-of-state and international students. Resources have been allocated to obtain additional students through means such as out-of-state recruiting, athletic recruiting, and increased marketing. Other opportunities to expand revenue include new traditional and non-traditional academic programming, rental housing for faculty and staff, and Foundation contributions. In alignment with the Strategic Plan, the College will continue to explore additional methods of expanding revenue.

**Foundation Support:** An overview of support from the St. Mary's College of Maryland Foundation, including anticipated support in FY17, was provided. For FY17, the Foundation has agreed to provide unrestricted funds in the amount of \$35,000 for College operations, plus an additional \$250,000 to support one-time initiatives. The College will continue working with the Foundation to increase overall support, both through growth in the endowment and through increasing unrestricted annual support to the College's operating budget.

**Compensation Plan:** Overall, College wages have not kept up with the market. Faculty wages are 5.9% behind peers and professional staff wages are 2.6% behind peers, creating recruiting and retention challenges. Wages for bargaining unit staff are 11% above market. The Strategic Plan calls for the College to reduce the wage gap by 50% over the next three years. The Committee discussed its desire that future wage increases be based significantly on merit and asked the College to continue to develop a merit-based compensation plan to reward performance and address retention. Preliminary concepts for creating a merit-based compensation structure were reviewed along with a financial framework to address the wage gaps in accordance with the Strategic Plan. An ad-hoc group of staff and faculty will be established to suggest ways to address feedback on the development of new merit systems. The Committee will be provided with an update on compensation planning at its next meeting.

**INFORMATION ITEMS**

Results of Legislative Session: The State's FY17 Operating Budget will increase by \$514k (2.18%) representing the Block Grant inflator. The Governor also included \$2.7 million of one-time funds to support IT infrastructure upgrades. The FY17 Capital Budget request included \$1.8 million to begin design of the new academic building and auditorium along with the new athletic stadium and \$0.9 million for infrastructure projects. Trustee Larry Leak, President Tuajuanda Jordan, and Vice President Chip Jackson attended 56 events in Annapolis, building strong relationships with elected and other State officials.

FY 2016 Financial Results to Date: Revenue and expense results were provided. Revenues are 0.9% above the previous year and are tracking consistent with the current year budget. Expenditures are tracking per expectations, approximately 2.5% lower than the previous year.

Solar Power Purchasing Agreement: to provide solar power on campus. Proposals have been received from vendors to install solar panels on campus at their cost with the College buying the electricity through a Power Purchase Agreement. Consultants have been identified to determine whether the agreement is fiscally responsive to our needs.

Minutes from the January 29, 2016 Finance, Investment, and Audit Committee were approved on March 10, 2016.

**Action Item(s):**

III.A.1. Approval of the FY 2017 Operating Budget and III.A.2. Approval of FY 2017 Capital Budget: Committee Chair Wobensmith proposed that approval of the FY 2017 Operating and Capital Budgets be postponed until there is more clarity with regard to the enrollment numbers. The Committee agreed to schedule a special meeting during the summer to take action of the FY17 budgets after enrollment assumptions are updated.

III.B. Approval of the FY18-FY22 State Capital Budget Proposal: The Committee approved continuation of the current capital budget program consisting of the New Academic Building and Auditorium (inclusive of the athletic stadium) and various Campus Infrastructure Improvements. The proposed plan is consistent with the Governor's proposed 5-year capital budget plan.

III.C. Approval of Revisions to the Tuition Waiver Policy: The revisions include the addition of the Master of Arts in Teaching (MAT) program; extension of tuition benefits to the children of deceased employees; revising the section regarding the eligibility of spouses and dependent children for tuition waiver benefits for clarification; and updating the responsible office from "Office of Continuing Education" to "Office of the Registrar."

III.D. Approval of a Revision to the Procurement Policy: The recommended revision increases the threshold amount from \$500,000 to \$1 million for contracts for capital improvements and services that require review by the Board of Public Works to be consistent with changes in the law.

III.E. Revision to the State of Maryland Supplemental 401(a) Matching Plan and Trust: The recommended revisions amend the Plan document in accordance with recent changes in the law.

**Committee Action Taken/Action in Progress:**

Approval of the FY 2017 Operating and Capital Budgets will be postponed. A special meeting of the Finance, Investment, and Audit Committee will take place in the summer, followed by a special meeting of the Board of Trustees.

The FY18-FY22 State Capital Budget Proposal; Revisions to the Tuition Waiver Policy; Revision to the Procurement Policy; and Revision to the State of Maryland Supplemental 401(a) action items were approved by the Finance, Investment, and Audit Committee at its May 12, 2016 meeting.

**Recommendation to the Board:**

The Finance, Investment, and Audit Committee recommended approval of the FY18-FY22 State Capital Budget Proposal; Revisions to the Tuition Waiver Policy; Revision to the Procurement Policy; and Revision to the State of Maryland Supplemental 401(a) action items by the Board of Trustees at its May 13, 2016 meeting.

The meeting adjourned at 8:33 a.m.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
INFORMATION ITEM III.B.  
REPORTABLE PROCUREMENT ITEMS**

There are no reportable procurement items to report.

**BOARD OF TRUSTEES  
ST. MARY'S COLLEGE OF MARYLAND  
FINANCE, INVESTMENT, AND AUDIT COMMITTEE  
MEETING OF OCTOBER 13, 2016  
INFORMATION ITEM III.C.  
JOINT INVESTMENT ACTIVITIES**

The Foundation continues to work with JP Morgan to manage the majority of the endowed funds. The Joint Investment Advisory Committee met on September 20, 2016 to review financial information on the endowment.

**Final FY16 Information**

As of June 30, 2016 the endowed funds held within JP Morgan totaled \$28.4m as compared to \$30m on July 1, 2015.

On a fiscal year basis, the net year to date decrease in market value of \$1.6 million includes \$706k in contributions, \$537k in income, \$1.08m decrease in investment value, and \$1.76m of withdrawals.

In addition to the JP Morgan funds, the full Foundation endowment contains an investment held with Morgan Stanley and a holding of Old Line Bank stock.

As of June 30, 2016 the value of the Morgan Stanley investment was \$231k, compared to \$230k on July 1, 2015. The increase of \$1k is due to the net effect of the change in investment value, investment income and the annual distribution to the SGA.

As of June 30, 2016, the Old Line Bank shares were worth \$181k compared to \$160k on July 1, 2015, based on the NASDAQ share price.

**FY17 Information**

For the current fiscal year 2017, as of August 31, 2016 the endowed funds held within JP Morgan totaled \$29.3m as compared to \$28.4m on July 1, 2016

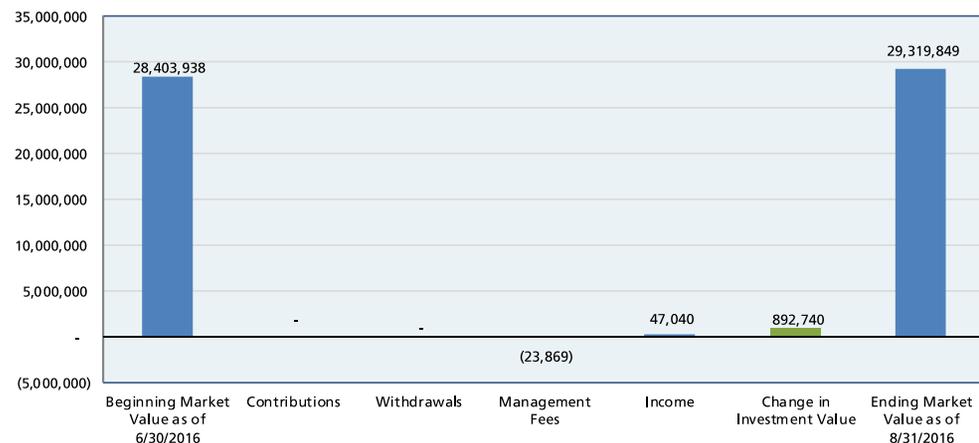
On a fiscal year basis, the net year to date increase in market value of \$900k includes \$0.5k in contributions, \$57k in income, \$870k increase in investment value, and \$27k of withdrawals.

As of August 31, 2016 the value of the Morgan Stanley investment was \$236k, compared to \$231k on July 1, 2016. The increase of \$5k is due to \$4k increase in investment value and \$1k investment income.

As of August 31, 2016, the Old Line Bank shares were worth \$195k compared to \$181k on July 1, 2016, based on the NASDAQ share price.

## Analysis of change in market value as of August 31<sup>st</sup>, 2016

St. Mary's College of Maryland Foundation – Endowment Accounts (AXXX8008, AXXX9004, NXXX7009, SXXX8003, SXXX8005, WXXX3000, WXXX8003, WXXX0000 - closed, WXXX3008 - closed)



<b>Beginning Market Value as of 6/30/2016</b>	<b>28,403,938</b>
Contributions	-
Withdrawals	-
Management Fees	(23,869)
Net Contributions/Withdrawals & Management Fees	(23,869)
<b>Market Value Including Net Contributions/Withdrawals &amp; Management Fees</b>	<b>28,380,069</b>
Income	47,040
Change in Investment Value	892,740
<b>Ending Market Value as of 8/31/2016</b>	<b>29,319,849</b>

Results shown represent 2 months as of 8/31/2016.

Return on Investment	Market Value	Current Allocation	2M	YTD	1YR	3YR	Annualized Since 12/31/12
<b>Total Portfolio (Net of Fees)</b>	<b>29,319,849</b>	<b>100.0%</b>	<b>3.2</b>	<b>4.9</b>	<b>4.9</b>	<b>5.0</b>	<b>5.4</b>
<i>Composite Benchmark *</i>			<i>2.0</i>	<i>4.4</i>	<i>4.0</i>	<i>3.7</i>	<i>3.7</i>
Equity	13,731,588	46.8%	5.8	6.5	7.8	7.5	9.2
<i>MSCI AC World Net Index</i>			<i>4.7</i>	<i>5.9</i>	<i>7.2</i>	<i>6.7</i>	<i>7.9</i>
Hedge Funds**	4,725,272	16.1%	1.0	-2.3	-5.3	1.7	3.1
<i>HFRI FOF: Diversified Index CM ARR</i>			<i>1.4</i>	<i>-1.0</i>	<i>-2.3</i>	<i>2.4</i>	<i>3.0</i>
Private Equity	1,480,388	5.0%	-	-	-	-	-
Real Estate & Infrastructure	2,020,766	6.9%	1.2	13.2	22.0	15.3	11.9
<i>NAREIT Equity Index</i>			<i>0.3</i>	<i>14.0</i>	<i>25.4</i>	<i>15.7</i>	<i>12.6</i>
Hard Assets	557,143	1.9%	-1.9	22.2	14.0	-6.2	-7.7
<i>Bloomberg Commodity Total Return Index</i>			<i>-6.8</i>	<i>5.6</i>	<i>-8.8</i>	<i>-14.0</i>	<i>-13.1</i>
Fixed Income & Cash	6,804,693	23.2%	1.6	4.8	3.7	2.5	1.8
<i>Barclays Capital Aggregate Total Index</i>			<i>0.5</i>	<i>5.9</i>	<i>6.0</i>	<i>4.4</i>	<i>2.8</i>

\*Composite Benchmark = From 12/31/2012 to 9/30/2014: 30.0% Barclays Global Aggregate, 5.0% Barclays T-Bill 1-3 month TR, 5.0% Bloomberg Commodity Total Return, 20.0% HFRI FOF: Diversified Index, 40.0% MSCI AC World USD Net Index. From 10/1/2014 to Present: 30.0% Barclays Capital Aggregate, 5.0% Barclays T-Bill 1-3 month TR, 5.0% Bloomberg Commodity Total Return, 20.0% HFRI FOF: Diversified Index, 40.0% MSCI AC World USD Net Index.

\*\* Hedge fund performance is included on a 1 month lag for all funds besides Equinox Campbell Strategy, Winton Futures Fund, Lakewood Capital, and AQR Equity Market Neutral.

Source: J.P. Morgan Workstation

### NOT AN OFFICIAL CONFIRMATION OR STATEMENT

For informational purposes only. This report does not represent an official account of the holdings, balances, or transactions made in your account and is being provided at your request. Please refer to your monthly account statement for the official record of all of your account activities. For question, please call your J.P. Morgan representative.

St Mary's College of Maryland Foundation, Inc Consolidated Investment Statement for the period July 1, 2016 to August 31, 2016		
	<u>Beginning Market Value</u> <u>7/1/2015</u>	<u>Ending Market Value</u> <u>8/31/2016</u>
<b><u>JP Morgan Portfolio</u></b>		
Endowed Accounts		
A85469004	22,820,794	23,603,501
S57678005	924,712	957,799
S57698003	1,199,800	1,124,225
W72363000	1,790,804	1,800,475
W72408003	364	372
N95987009	1,342,494	1,480,493
Donations awaiting transfer to pool	310,934	335,529
	-	128
Total Endowed Accounts held within JP Morgan****	28,389,901.45	29,302,522
Gift Annuity		
V91738001	995,429	1,030,527
Current Funds	1,840,503	1,858,309
Accrued Interest		2,933
<b>Total Investment Accounts Market Value</b>	<b>31,225,833</b>	<b>32,194,291</b>
Endowed Funds Allocated Spending Account	1,027	1,003
Gift Annuity Cash Account		
JP Morgan 424629884	21,988	14,789
<b>Total JP Morgan Portfolio</b>	<b>31,248,849</b>	<b>32,210,083</b>
<b><u>Other Assets</u></b>		
Perpetual Trust, PNC (Landers Chair)	1,373,929	1,414,430
Old Line Bank Shares, Common Stock ***	181,350	194,851
Morgan Stanley - SGA Investment ***	230,693	235,987
<b><u>Cash</u></b>		
Old Line Bank Checking Account	2,363,316	2,273,439
Old Line Bank Endowment Spending Account	690,796	486,068
<b>Total</b>	<b>36,088,932</b>	<b>36,814,858</b>
*** In addition to the JP Morgan Portfolio, the Foundation Endowment includes the Old Line Bank Shares, and the Morgan Stanley Investment		
*** The College holds a quasi-endowment in addition to the above funds		