

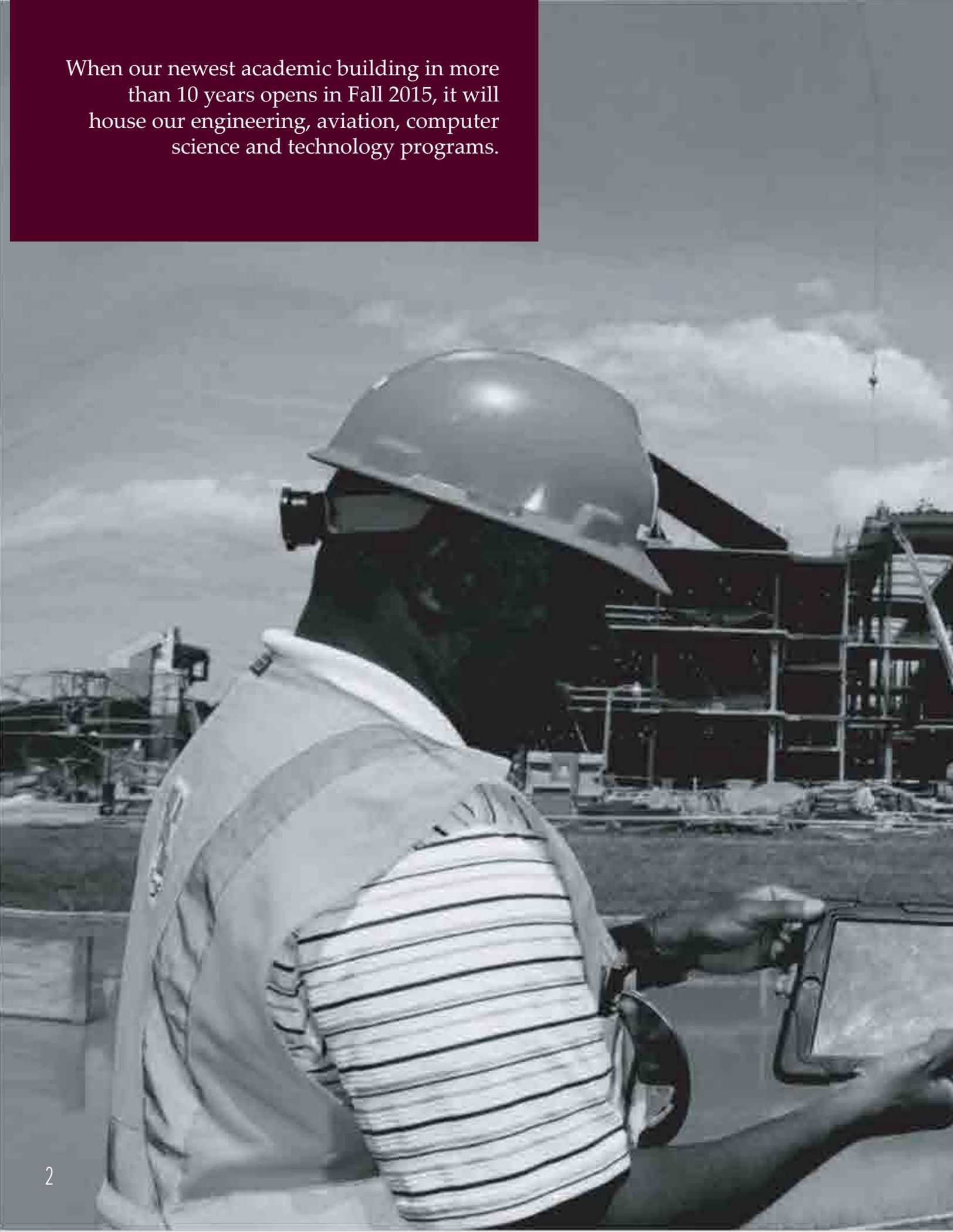
UNIVERSITY of MARYLAND
EASTERN SHORE

**2015 Testimony to
Maryland General Assembly**

*Presented by Dr. Juliette B. Bell, President
March 2015*



When our newest academic building in more than 10 years opens in Fall 2015, it will house our engineering, aviation, computer science and technology programs.





Transformation is underway at UMES

and we are charting our course to power Maryland forward.

Members of the Committee, it is my pleasure to come before you today to testify on the Governor's FY2016 budget and about the University of Maryland Eastern Shore (UMES), a jewel among our public institutions within the state of Maryland.

On behalf of the university, its administration, faculty, staff, students and alumni, I would also like to welcome those of you who are new to the General Assembly and thank you all, in advance, for this body's continued support of Maryland's higher education system, and our students.

UMES, the state's 1890 land-grant institution is building upon its foundation in agriculture and the mechanical arts and through distinctive learning, discovery, and engagement, to transform our campus and fuel economic growth and opportunity in Maryland by producing highly trained professionals and solutions for Maryland's leading industries:

- Aviation and Aerospace
- Education and Research
- Business and Entrepreneurship
- Environment and Agriculture
- Healthcare
- Hospitality and Tourism

And, we could not have done it without you. Thank you for your continued support of UMES and the University System of Maryland.

Juliette B. Bell, President 1

The University of
Maryland Eastern
Shore Powers
Maryland Forward

The majority of our students are the
FIRST
in their families to pursue a college degree

38

undergraduate programs

8

doctorate programs

14

master's programs

28

accredited degree programs

#23

2014 Ranking in *U.S. News of World Report* of the nation's HBCUs

Highest rank among all USM HBCUs

4,281 Total number of students Fall 2014
3,571 undergraduate students and 710 graduate/professional students

79% of UMES students are Maryland Residents

9 out of 10 students receive financial aid

15:1

student to faculty ratio

TOP 5 JURISDICTIONS
where our students reside

Prince George's County- 919
Wicomico County-420
Montgomery County-371
Baltimore City-304
Baltimore County-231

1,129 acres and **92** buildings

56% of UMES students are women

Average SAT: 881 / Average High School GPA: 2.87 Fall 2013

Undergraduate Tuition: \$4,767



Transforming Student Outcomes

The number of UMES degrees conferred in AY 2014 represented an increase of 39% over those conferred in AY 2010.

The number of graduate degrees awarded in AY 2014 was more than double that of graduate degrees awarded in AY2010.

Due to the university's increased production of research doctorates, the university is on a path to be independently reclassified by the Carnegie Foundation as a Doctoral Research University.

In 2014, UMES was named as one of the top ten HBCUs with average starting salaries above \$41,000.

-HBCU Lifestyle

UMES second-year retention rate increased to 73% for the 2013 cohort, 5 percentage points higher than the 2012 cohort.

The six-year graduation rate has increased by 5 percentage points for the 2008 cohort (37%).

40%

of UMES students are pursuing degrees in STEAM (science, technology, engineering, agriculture and mathematics)

20%

of UMES students are pursuing degrees in the health professions (pharmacy, physician assistant, physical therapy, rehabilitation counseling & therapy)

100%

of our 2014 Physical Therapy graduates passed the national licensure exam on the first try

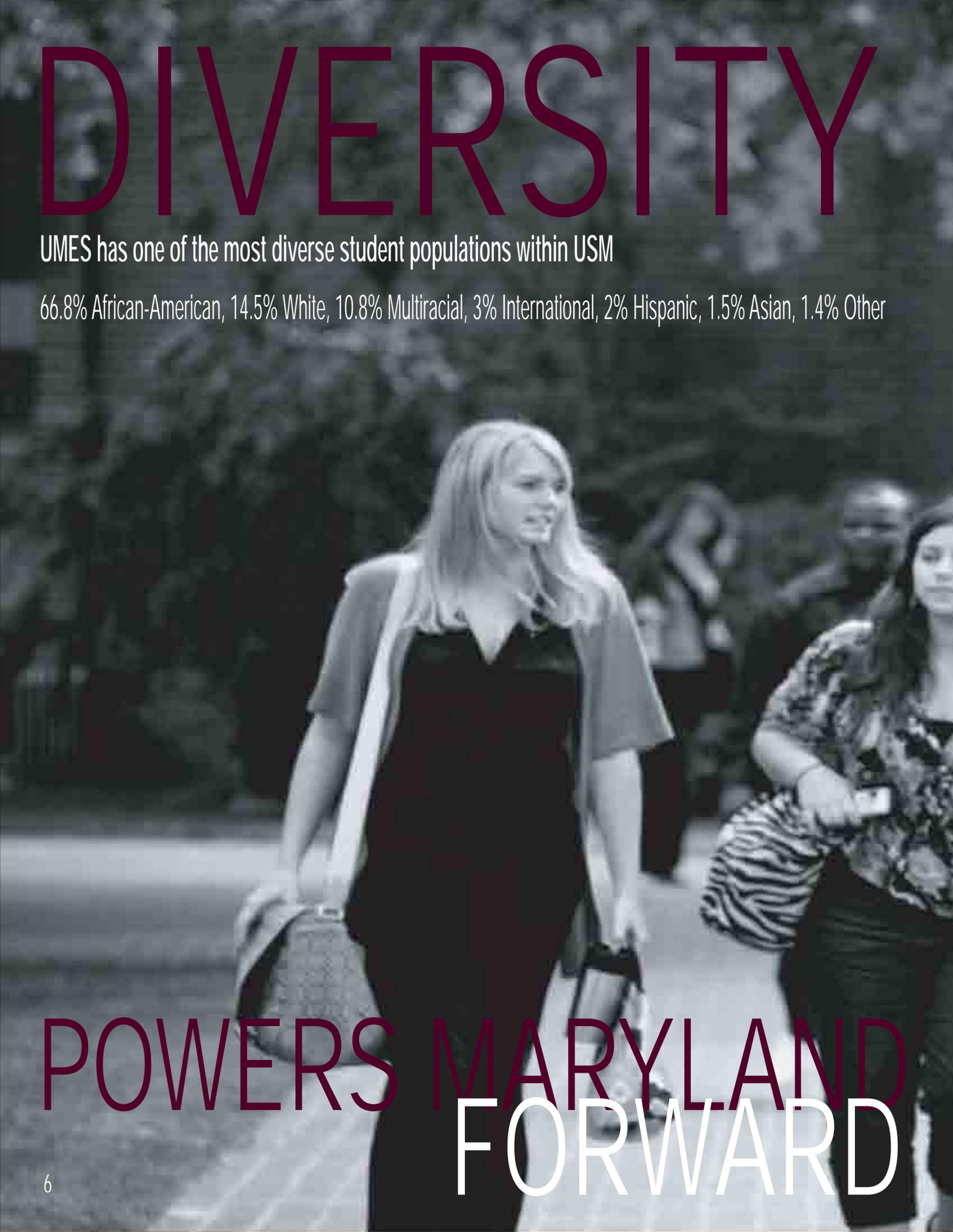
85%

work in Maryland

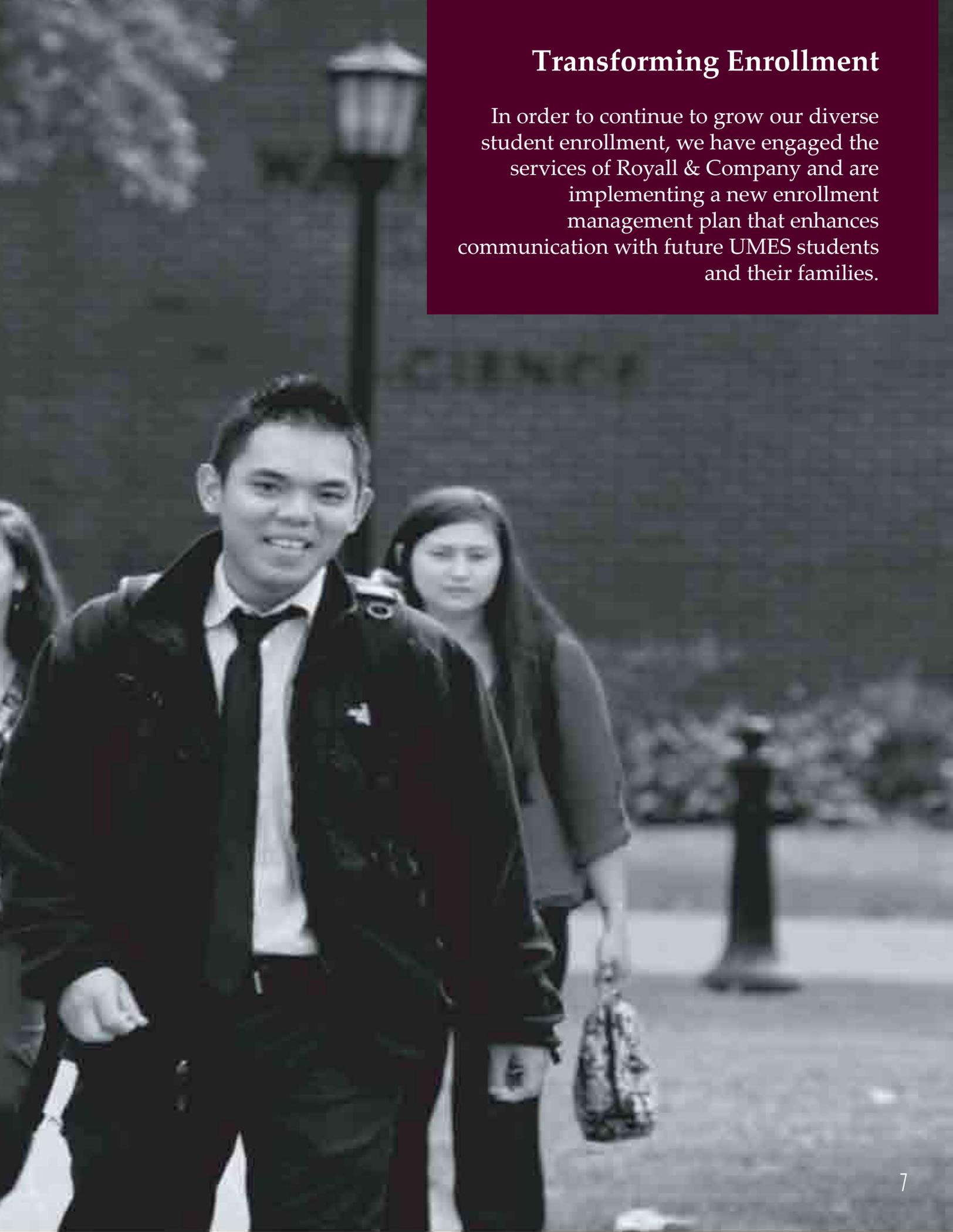
DIVERSITY

UMES has one of the most diverse student populations within USM

66.8% African-American, 14.5% White, 10.8% Multiracial, 3% International, 2% Hispanic, 1.5% Asian, 1.4% Other

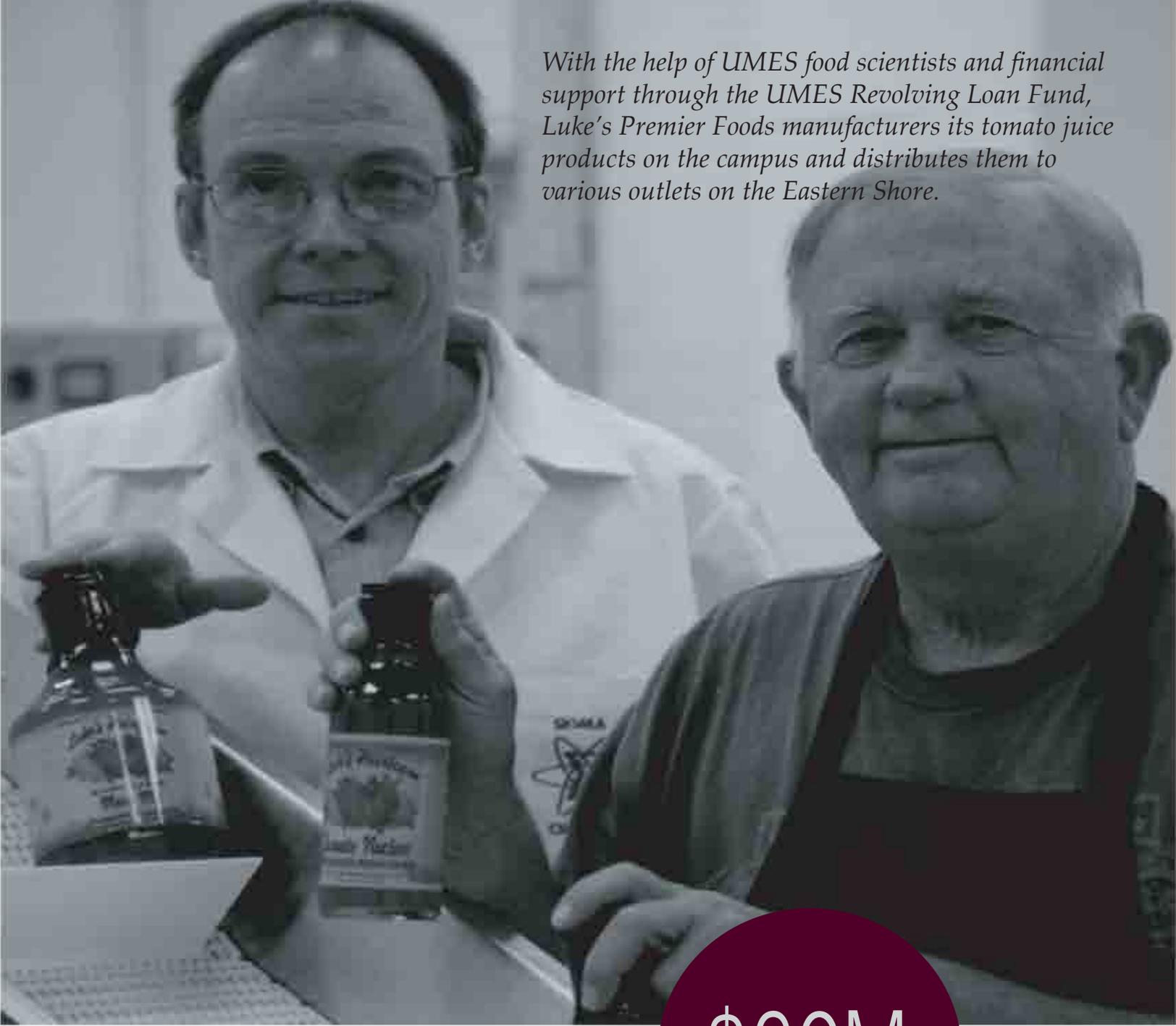


POWERS MARYLAND
FORWARD



Transforming Enrollment

In order to continue to grow our diverse student enrollment, we have engaged the services of Royall & Company and are implementing a new enrollment management plan that enhances communication with future UMES students and their families.



With the help of UMES food scientists and financial support through the UMES Revolving Loan Fund, Luke's Premier Foods manufacturers its tomato juice products on the campus and distributes them to various outlets on the Eastern Shore.

Transforming Business

With more than 950 employees, the University is one of largest employer in Somerset County, one of the poorest counties within the state. As a neighbor and central employer in the county, UMES has increased outreach efforts and is working alongside county partners, like the Somerset County Department of Economic Development, to identify ways to grow the state's economic base. Starting in our own backyard, we offer technical and financial support to businesses and organizations that sustain our families and friends.

\$20M

Since 1990, UMES has provided technical assistance and more than \$20M in funding to start, and expand more than 120 businesses through our revolving loan fund, which was originally funded by the Economic Development Administration.

Just one example of the agricultural research underway at UMES that is supported by 1890 funding, is that pertaining to phosphorus, an important issue during this session. Our faculty are researching the impact of phosphorus on the environment and identifying ways to help farmers with phosphorus management so that they can help the environment while increasing crop yields.



Transforming Our Region

UMES is a land-grant university like the University of Maryland College Park. However, UMES is the only land-grant university within the USM that is also an HBCU. There are a total of 19 universities like UMES in the country and collectively, they are often referred to as “1890 universities” in recognition of the Second Morrill Act of 1890 that designated these HBCUs as land grant institutions.

Inherent in the land-grant mission is a focus on advancing rural communities through education and outreach, particularly in the area of agriculture.

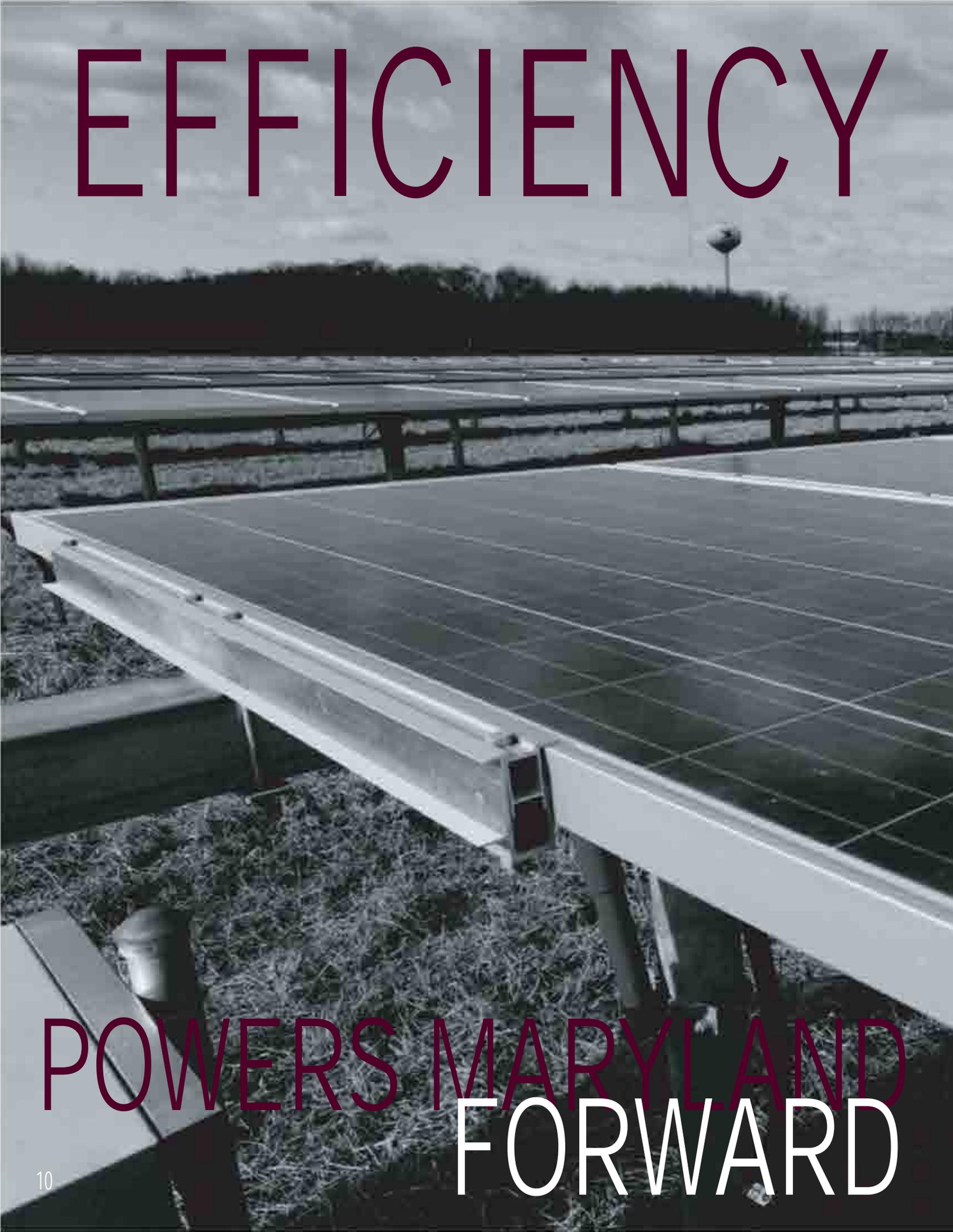
In 2014, UMES was named the top 1890 university

-Association of Public Land-Grant Universities

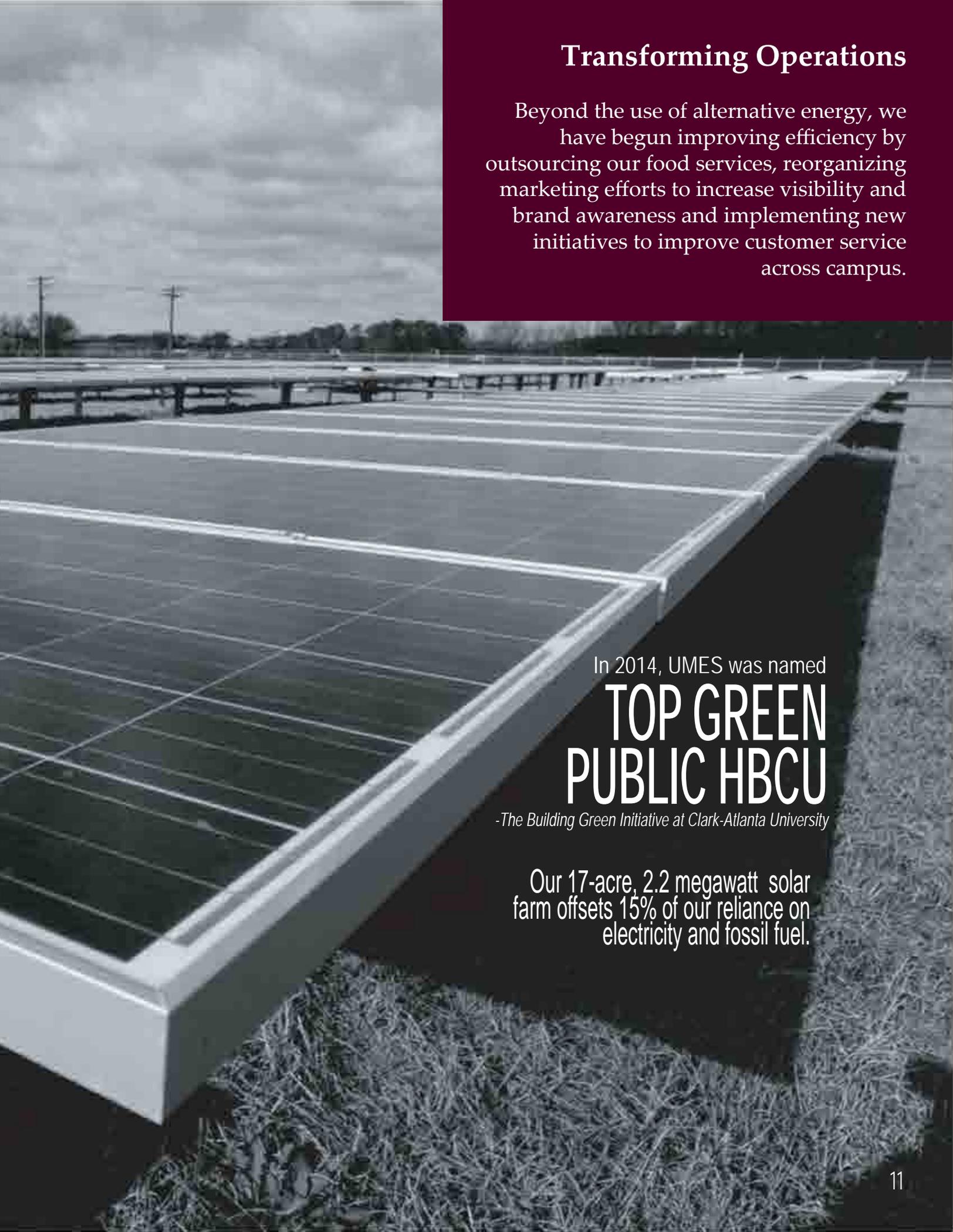
\$2.8M

is the amount of funding UMES is eligible to receive from the federal government in order to fulfill its 1890 land-grant mission. The university can only receive the full federal funding if the funds are matched with non-federal funds on a 1:1 basis. UMES' state allocation is currently \$1.2M short of the full match.

EFFICIENCY



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FORWARD



Transforming Operations

Beyond the use of alternative energy, we have begun improving efficiency by outsourcing our food services, reorganizing marketing efforts to increase visibility and brand awareness and implementing new initiatives to improve customer service across campus.

In 2014, UMES was named
**TOP GREEN
PUBLIC HBCU**

-The Building Green Initiative at Clark-Atlanta University

Our 17-acre, 2.2 megawatt solar farm offsets 15% of our reliance on electricity and fossil fuel.



Transformative Research

The work of Dr. Patrice Jackson-Ayotunde, assistant professor of pharmaceutical sciences and pharmacy graduate student, Dr. Tawes Harper is just one example of the research happening at UMES.

Their pioneering work on developing a medication to treat epilepsy earned them the 2014 “Invention of the Year” award during the University of Maryland College Park Division of Research Competition.

Dr. Jackson-Ayotunde was also named as a 2014 Emerging Scholar by *Diverse Issues in Higher Education*.

\$17M

in annual grants and
research funding



Photo: Dr. Bell along with UMES PGA Golf Management students at a Capitol hill event sponsored by the university celebrating legendary African-American golfer, Dr. Charlie L. Sifford (seated), on the occasion of his receipt of the Presidential Medal of Freedom from President Obama in November 2014.

Transforming Industry

The UMES PGA Golf Management program has elevated the university on the national stage. Our program prepares students for careers in the hospitality and golf industry.

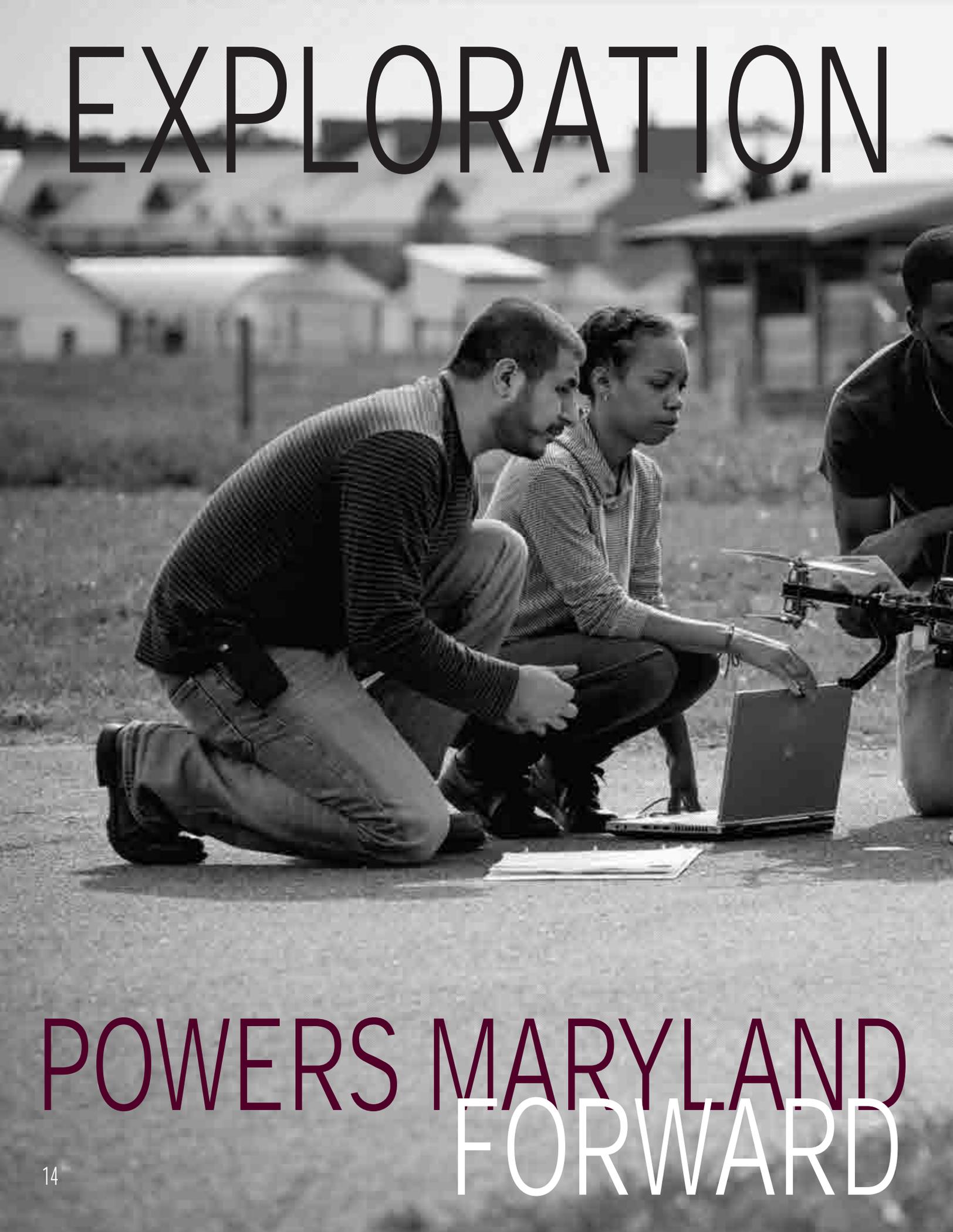
Since the program is housed within the university's department of Hospitality and Tourism within our internationally-accredited school of business, and requires 17 months of mandatory internship experience, our graduates are not only equipped to manage and operate golf facilities, they are versatile enough to tackle hotel, restaurant and recreational components of the industry on day one.

 DIVERSITEE™



Beyond seeking to have a premiere academic program, the University is taking a lead role in diversifying the golf industry as a whole with its DIVERSITEE initiative. Our goal is to increase the number of women and minorities who work in the golf and hospitality industry nationwide.

EXPLORATION



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Transforming Livelihoods

As part of our Aviation Science Program and in partnership with NASA Wallops Flight Facility, we are using unmanned aerial systems (UAS) in the emerging field of precision agriculture.

UAS can help farmers assess moisture conditions in their crops and assist with nutrient management.





88%

- 2014 Graduation Success Rate (GSR) for the UMES Department of Athletics

86% 2014 Graduation Success Rate for Men's Basketball-Highest of all HBCUs - HBCU Digest

Transforming Athletics

Intercollegiate athletics is often the gateway to the campus for prospective students. It is through athletics that school spirit and pride emerge.

At UMES, we could not be prouder of our student-athletes who perform on the fields of competition and in the classroom.

This self-sustaining program boasts an athletic department that has won 22 championships in 22 years and this year, the Men's basketball team posted its first winning record in 21 years.

More impressive, however, is the academic record of our nearly 170 students. The majority of our student-athletes have over a 3.0 GPA.

*UMES Men's Basketball
Senior Ishaq Pitt
Accounting Major
4.00 GPA*

*2014 Arthur Ashe, Jr. Sports Scholar of the Year
Employer upon graduation: Deloitte, LLP*

FIVE NATIONAL CHAMPIONSHIPS
Women's Bowling

PHILANTHROPY

The market value of the university's 299 endowments is \$20 million

In FY14, the university
awarded 416 scholarships
from endowed funds,
totaling more than
\$515,000

Transforming Lives

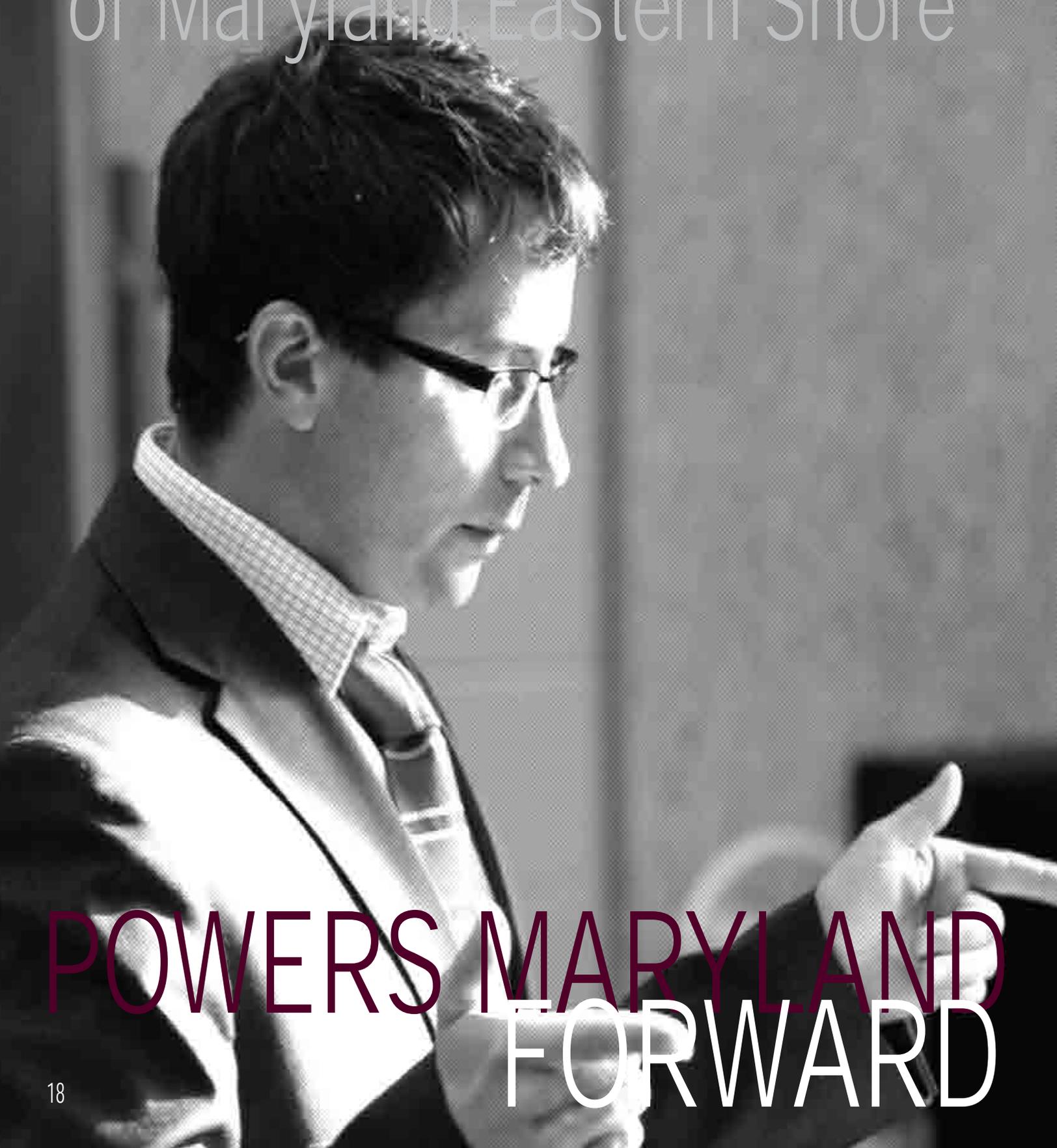
George Latimer's \$100,000 gift in honor of his late wife, historian, Frances Bibbins Latimer, reminds all of us at UMES how important philanthropic support is to transforming the lives of our students.

We are building a culture of philanthropy, increasing alumni engagement and growing our base of support among major gift donors in order to secure funding for student scholarships, endowment and other campus needs.

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UNIVERSITY

of Maryland Eastern Shore



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Transforming Maryland

Many changes are underway at the University of Maryland Eastern Shore.

With the continued support of the Maryland General Assembly, UMES is committed to being a good steward of the resources provided in order to transform the lives of our students, and our state.

We understand that doing things the way they have always been done will yield the same results, so we are committed to evolving, innovating and moving forward on our journey from excellence to eminence.

Thank you,

Juliette B. Bell, Ph.D., President

UNIVERSITY of MARYLAND EASTERN SHORE

CABINET MEMBERS 1

Juliette B. Bell, Ph.D. 1
President

Patrick R. Liverpool, Ph.D.
Provost and Vice President for Academic Affairs

Keith Davidson
Director of Intercollegiate Athletics

Kimberly Conway Dumpson, Esq., CFRE
Executive Vice President

Stephen L. McDaniel, CFRE
Vice President for Institutional Advancement

G. Dale Wesson, Ph.D.
Vice President for Research and Economic Development

Nelva Collier White
Acting Vice President for Administrative Affairs

James M. White, Ph.D.
Acting Vice President for Student Affairs and Enrollment Management

www.umes.edu



RESPONSE TO THE
DEPARTMENT OF
LEGISLATIVE SERVICES

The president should comment on the enrollment trend of first-time students and if it is projected to stabilize in the out years (page 6)

UMES Response

Yes, the university's enrollment is expected to stabilize in the out years.

The university has recently hired an external consultant, Royall & Company, to guide the university through implementation of its new comprehensive enrollment management plan. The enrollment management strategy will set an appropriate target for first-time full time (FT/FT) freshman, transfers and graduate students, increase outreach to a greater number of potential students with an aptitude to succeed at UMES, particularly those seeking degrees in areas of high demand, such as the STEAM (science, technology, engineering, agriculture and mathematics) disciplines and health care.

The president should comment on reasons for the increase in the two-year transfer graduation rate from 9.3% with the 2010 cohort to 24.7% for the 2011 cohort (page 8)

UMES Response

Enhancements to the process of articulating transfer credits have contributed, in part, to the increase in the two-year transfer graduation rate. Meeting the objective of entering 95% - 100% of transfer credits in the student information system prior to students matriculating, completing Enrollment 101 or by the end of the ADD period have also contributed to an

increase in the transfer graduation rate. We have also begun the process of automating transfer credits from the community colleges in Maryland by using an electronic Transfer Credit Evaluation form in the academic departments. These strategies reduced the time in articulating and entering data in the system, which positions UMES to increase the two-year graduation rate. Additionally, analysis of the characteristics of the two cohorts showed that a higher percentage of the 2011 cohort entered UMES with 60 or more transfer credits.

The president should comment on the reason for the high percentage of FT/FT being unknown (page 9)

UMES Response

When a student chooses to leave UMES, the university conducts an exit interview to determine the reasons for that student's departure. Students provide information on their future plans on a voluntary basis. Often, students transfer to another institution, and still others leave due to financial reasons. In cases where former UMES students enroll in another university, the university is able to track them through the National Student Clearinghouse. It bears noting that not all institutions subscribe to the National Student Clearinghouse and students may also opt to block their records at the National Student Clearinghouse. Also, in cases where students do not enroll in another university, we are no longer able to track the student, and the student is under no obligation to inform the university of their plans once leaving the institution. We found that 27.2% of the cohort left with GPAs of less than 2.00 and were therefore, not in good academic standing. Therefore, it is likely that these students may have entered the workforce, or are making plans to enter the workforce.

The president should comment on how UMES is able to comply with the Title IX requirements within its existing budget (page 13)

UMES Response

The university has reallocated existing resources, and increased interdepartmental collaboration in order to comply with the Title IX requirements. In particular, the university's Title IX coordinator is utilizing additional human and fiscal resources within the university's offices of human resources, marketing and information technology

Funding for the Title IX coordinator's salary came from one of the vacant positions that the university was going to eliminate as part of its budget reduction plan. Further, the funding for training of the Title IX coordinator was reallocated from resources dedicated to university operations. Further still, the funding to support the marketing of the Title IX initiatives and policies has come from the university's meager marketing budget

In order to fully implement the Title IX requirements, the coordinator will need to have dedicated office space and administrative support, which also must be covered from the reallocation of existing sources within the university's FY16 budget.

The president should comment on the institutional priorities when determining how the budget reductions will be allocated over the program areas and in particular minimizing the impact on financial aid (page 13)

UMES Response

To meet the estimated \$2.8M FY16 budget reduction, the university's focus will be on minimizing the impact on our students, the majority of whom rely on financial aid in order to finance their education.

In keeping with how we addressed the mid-year FY15 budget reduction, by choosing not to increase tuition, UMES will utilize several strategies to minimize the impact on our students, including, but not limited to, the following:

- Eliminating vacant positions and reducing new positions
- Delaying facilities renewal projects (*the average age of our buildings is 37 years old*)
- Identifying operational efficiencies through outsourcing and recycling
- Increasing fundraising efforts
- Increasing research capabilities

The president should comment on why funds provided specifically to increase spending on need-based aid over the fiscal 2013 level were not spent in fiscal 2014 given that almost half the students are Pell-eligible (page 15)

UMES Response

The university received \$324,000 in a supplemental allocation to be used to increase the amount on need-based aid over FY13; **that funding was indeed spent for financial aid**

In FY14, however, the university experienced a decrease in enrollment over that achieved in FY13 and consequently, the university received a decreased amount of tuition and fee revenue, a portion of which (20%) is ordinarily used to provide institutional aid.

The majority of the university's students are eligible for financial aid. Consequently, the university would maintain that any institutional aid ("need based, merit-based, or athletic, or other aid) that provided to a majority of our students is "need-based" aid to the extent it is provided to students demonstrating a financial need. For example, a student who may be Pell-eligible, may also be a high achieving student. Consequently, that student may qualify for what is categorized as "merit-based aid." To the extent an award is made to that student from the pool of "merit-based" funding, this does not negate the fact that the student is a financially needy student

The president should comment on if financial literacy or other programs are offered to students to educate them about options and implications of using various methods to finance their college education (page 18)

UMES Response

Yes, financial literacy or other programs are offered to students to educate them about options and implications of using various methods to finance their college education.

The university is particularly sensitive to and concerned about the financial literacy of our students; particularly in reference to conservative student loan borrowing and financial planning. In an effort to improve the financial literacy of our students, UMES has included five core financial literacy modules provided by USA Funds, Inc. through its Life Skills curriculum as part of the course requirements for all sections of our GNST (Freshmen Experience) classes. This is in an effort to promote measurable improvements in personal finance practices among our students. Topics addressed include:

- Financial aid and paying for college
- Credit and money management
- Preparing for life after college
- What do I need to know about repaying my student loans
- How do I live on a budget while I'm in school

Office of Student Financial Aid Staff (OSFA) also conduct an informational session in at least one class meeting in each section of these classes. These presentations emphasize early FAFSA application, conservative borrowing and financial planning beyond each academic year. The OSFA staff also provides several workshops and presentations during April of each year, which is designated as financial literacy month.

We believe our efforts to educate our students in areas of financial literacy is evident in the decrease in the institution's student loan cohort default rate from 23.5% in FY 2010 to 17.1% in FY 2011 and a draft rate of 15.9% for FY 2012.

The president should comment on the status of actions taken to correct the audit findings (page 19)

UMES Response

I wish to thank the Office of Legislative Audits and the audit team that reviewed the fiscal and information technology operations of the University of Maryland Eastern Shore, (UMES). We have worked very closely together not only to obtain a full understanding of the issues, but also to develop the appropriate corrective actions that address each of the audit findings. Please be assured that UMES understands the importance of these findings, has taken immediate action and will continue to take all other appropriate actions as are necessary to address the findings within the audit.

Most notably, in light of the findings related to the University's Affiliated Foundation, I, along with members of my University team, met with the Chancellor, his team, and the USM Board of Regents Audit Committee to review the actions taken to correct the deficiencies, and future plans to fully resolve these findings. In short, UMES has taken a number of immediate steps, including: 1) removing the management employee with the conflict of interest, 2) restricting the activities of the Foundation to graduate housing construction and operation, and 3) enhancing the University's oversight of the financial operation of the Foundation to ensure compliance

The University takes these and all findings very seriously and has taken all of the appropriate actions to ensure full compliance as outlined below.

1. UMES did not exercise effective oversight of grants awarded to the Foundation.

Although there are no plans to award future grants to the Foundation, UMES has implemented a process to appropriately segregate the duties and not enable one individual to represent the institution and the foundation. The Director of Sponsored Research will not perform any managerial functions on behalf of the Foundation. This process would also ensure the scope of any grant agreement would include specific deliverables, accomplishments, time period for performance and detailed project requirements, followed by timely progress reports enabling the University to determine if deliverables were achieved. The University System of Maryland's Office of Internal Audits has begun the review of grant expenditures for the period prior to OLA's audit per the recommendations of the legislative audit.

2. A UMES management employee was involved in business activities that were not formally disclosed to UMES as required and that raise questions regarding potential conflict of interest. In addition, this employee did not always file financial disclosure statements with the State Ethics Commission.

The University referred this matter to the State Ethics Commission on November 10, 2014 to obtain advice and will take action when recommended. The employment of the specific individual referred in the audit has been terminated. That former employee is currently working with the Foundation to complete a construction project. The University had previously worked with the State Ethics Commission to review all regular employees to identify all individuals required to complete the annual financial disclosure statement. All other regular employees are in compliance with this reporting requirement.

3. UMES distributed federal funds totaling \$385,000 to its affiliated Foundation for purposes inconsistent with applicable regulations.

UMES misinterpreted the federal regulation and distributed funds to the Foundation. This action was immediately ceased, and any future actions will be in full compliance with the required regulation. UMES has contacted the granting agency and discussed a repayment plan to the University, which will be finalized as soon as possible.

4. UMES and its affiliated Foundation did not comply with certain USM Board of Regents' policies.

The University has completed its agreement for FY 2015 with the accurate values for the resources provided to the Foundation being disclosed. Although no planned conflicting grant requests will be made, in the future, appropriate approvals will be sought first. For FY 2014, all required annual reports and five-year business plans have been submitted.

5. UMES had not established proper controls over financial awards, certain non-cash credits, and changes to student residency status.

Effective July 1, 2014, UMES fully implemented the recommendation to select and review financial aid awards by independent personnel who do not have the capability to modify student awards in the system. The second recommendation, which is the only "repeat" item identified, has been fully implemented. The non-cash credit adjustments related to housing and board charges are being verified to the source documents. All residency reclassifications are to be reviewed and approved by the Residency Committee and the documentation will be appropriately maintained.

6. UMES did not have adequate internal controls to ensure the timely referral of all delinquent student accounts to the Department of Budget and Management – Central Collection Unit (CCU).

UMES discovered that a flaw existed within its query that was developed to identify all accounts to be transferred to CCU. The flaw has been corrected for the Fall 2014 semester. Effective the Fall 2014, an independent reviewer from the Office of the Vice President for Administrative Affairs has generated an independent report of accounts to be transferred and compared it to the actual date to be submitted. Students with outstanding balances are allowed to register only if the student qualifies for an exemption as specified in the Board of Regents' policy.

Findings 7 – 11 Relate to Information Systems Security and Control

- 7 UMES did not ensure that capabilities assigned to individuals on the financial management systems were adequately restricted.**

UMES has removed unnecessary access assigned to accounts and has enhanced the security reviews and approval process such that reports used by security approvers include all users

- 8. Controls over UMES accounts and passwords were not sufficient to properly protect this information.**

UMES has restricted access to account and password files and has password protected the files with strong passwords that are periodically changed as recommended. Copies of the account and password files have been deleted and current passwords have been secured using enterprise password manager.

- 9. UMES inappropriately stored sensitive personally identifiable information in clear text.**

UMES will complete the encryption process for all tables, volumes in the document storage system, and social security numbers within the PeopleSoft system with the exception of critical Financial Aid information by July 2015.

- 10. The UMES internal network was not adequately secured.**

The University has restricted system access, at the network level, to key administrative resources to only those entities requiring such access. The University is moving forward with the recommendation to perform a documented review and assessment of its network security risks, identify how HIPS coverage should be best applied to its network and will fully implement such coverage by August 2016

- 11. Procedures for installing and monitoring anti-malware software on network computers need improvement.**

UMES has worked to ensure 100% antivirus installation in all deployed computers and has created a “Desktop Management Team” that is charged with ensuring all newly built machines receive the antivirus application. UMES is moving to fully implement the

recommendation so that the console dashboard can accurately report and monitor all UMES workstations and servers by September 2015.

12. UMES lacked accountability and control over its collections and had not reconciled certain student spending account balances.

UMES has implemented a process to ensure that employees with non-cash credit and void capabilities do not have access to the related cash receipts and that deposits are verified to the initial record of collections. The University is reviewing the online banking system access capabilities every six months and restricts such access to those employees who need it for their job duties. Cashiers, employees with access to the receipts do not have non-cash or void capabilities. UMES is moving forward to complete required reconciliation by March 31, 2015.

13. UMES' execution of certain lease agreements and contract extensions did not comply with USM's policies, and UMES did not adequately monitor certain vendors to ensure compliance with contract terms.

The University has submitted lease agreements as an agenda item to be considered at the USM Board of Regents Finance Committee June 2015 meeting. The University issued a request for a proposal during the summer and issued a contract for the procurement of fuel oil purchases and has obtained information to track fuel process. The University is verifying gross sales from its bookstore contractor to ensure proper fees are remitted. The university would like to reemphasize that the University of Maryland Eastern Shore takes this and every audit very seriously as demonstrated from the last audit by having only one repeat item in a finding due to not fully understanding the recommendation and partially implementing it.

All recommendations have been fully implemented as indicated. Please be assured that the Foundation issues are being closely monitored and fully resolved, as indicated.