



**Frederick Community College
Board of Trustees**

President's Baseline Insight Report

EL 09 – Asset Protection

Report Date: 2/19/2025

Compliance Status: F / (P) / N Compliant



Note: Board Policy is indicated in bold typeface throughout the report.

I am submitting this baseline insight report to the Frederick Community College Board of Trustees, focusing on the Board's Executive Limitation Policy: "EL-9 Asset Protection." This report is submitted for your review. I confirm that the information provided is accurate and establishes a baseline for compliance with the policy as approved by the Board, unless noted otherwise.

A handwritten signature in blue ink, appearing to read "Annesa Cheek".

2/19/2025

Annesa Cheek, Ed.D.
President

Date

Note: Board Policy is indicated in bold typeface throughout the report.

The President shall not allow College assets to be unprotected, inadequately maintained or unnecessarily risked.

Further, without limiting the scope of the preceding statement by the following list, the President shall not:

1. Permit the organization to have inadequate insurance against property, casualty, and cyber (i.e., data) losses.

1.1. Fail to ensure that the organization obtains appropriate and adequate levels of insurance to protect its property and operations against scope of perils, and

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

a. The insurances of the College, including its Umbrella Insurance for disruption of college operations, is consistent with coverage limit standards for an institution our size, type, and scope and as recommended by FCC’s independent insurance broker.

a. On 6/4/2024, the Board of Trustees approved McGriff Insurance Services' recommendation to renew the annual insurance coverages for the College beginning 7/1/2024. These included property, casualty, cyber, umbrella, and international insurance policies.

This interpretation is reasonable because adequate coverage limits for damages are recommended by an independent insurance broker with specific expertise in the higher education industry.

1.2. Permit the organization to insure its property and operations with inadequate valuation.

INTERPRETATION:

EVIDENCE:

- Compliance will be demonstrated when:
- a. The College insures its property at the value determined annually by Frederick County.
 - b. The College insures its operations at the value determined annually by a third-party independent insurance consultant.

- a. On 3/1/2024, HCA Asset Management, as commissioned by Frederick County, completed the appraisal of all FCC property. The CFO/VPA confirmed that the College’s insurance coverage is appropriate based on the property valuation.
- b. McGriff Insurance Services utilized the property valuation provided by HCA Asset Management to recommend sufficient coverage for replacement costs. The Board approved McGriff’s insurance coverage recommendations for FY25 on 6/4/2024.

This interpretation is reasonable because the use of County assessors and independent insurance consultants is consistent with higher education industry standards.

1.2.1. Permit insurance of all buildings and contents to be at less than the cost to replace buildings and contents, with an adequate and appropriate blanket limit of all buildings and contents.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The schedule of property values is updated annually, computing the blanket limit of coverage for buildings and contents, and the College has insurance coverage documentation appropriate for those amounts.

- a. On 3/1/2024, HCA Asset Management, as commissioned by Frederick County, completed the appraisal of all FCC property, including all buildings and contents. The CFO/VPA confirmed that the College's blanket limit of coverage is appropriate based on the property valuation. On 7/9/24, the CFO/VPA received the FCC Insurance Summary and other documentation from McGriff Insurance Services outlining premiums, deductibles, limits, etc.

This interpretation is reasonable because it is based on insurance industry standards for current replacement blanket insurance on buildings and contents.

1.2.2. Permit the College to have inadequate insurance or bonding for theft, disappearance or destruction of money, and securities inside or outside the premises.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College has Comprehensive Crime Insurance coverage for criminal acts of employees, such as embezzlement, forgery, or other acts of employee dishonesty.

- a. The appropriate amount of crime insurance coverage (under the casualty policy) was determined by McGriff Insurance Services and approved by the Board on 6/4/2024.

This interpretation is reasonable because the assessment of adequate insurance by an independent insurance consultant is an accepted industry standard.

1.3. Permit the organization to have inadequate privacy/cyber insurance.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The operational and disruptive threat of cyber attacks is mitigated using preventative controls and insurance protections that are consistent with regulatory requirements.

- b. Issues identified in the Frederick County Interagency Internal Audit Authority (IIAA) annual audit and annual penetration testing are remediated.

- a. On 2/12/25 the CIO confirmed that the College utilizes preventative controls to mitigate cybersecurity risks. The appropriate amount of cyber insurance coverage was determined by McGriff Insurance Services and approved by the Board on 6/4/2024.

- b. On 2/12/25 the CIO confirmed that the College uses appropriate preventive controls to address cybersecurity risk, including annual penetration testing conducted by a qualified third party. Findings are remediated based on risk factors and ratings (e.g. "High" "Medium") as well as contextualized operating requirements in order to address cybersecurity risk. FCC also engages additional third parties (e.g. Microsoft Corporation) to perform technology specific security assessments. Such assessments may also result in recommendations for risk mitigation that are similarly remediated based on risk factors and ratings.

This interpretation is reasonable because the insurer and the IIAA are third-party experts and provide the College with an independent assessment of what adequate insurance is in the current environment and complies with industry standards.

2. Permit the Board members, College employees, and other individuals engaged in activities on behalf of the organization, or the organization itself, to have inadequate liability insurance. Directors and Officers liability protection shall be obtained with adequate limits given institutional risks.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

a. Liability coverages and limits are set based on the recommendation of an independent insurance broker with specific expertise in the higher education industry, to include Directors and Officers (D & O) liability protection, as well as other liability insurances for employees and related parties.

a. The appropriate amount of D&O, employment practices liability insurance (EPLI), and crime coverage was determined by McGriff Insurance Services and approved by the Board on 6/4/2024.

This interpretation is reasonable because the insurer is a third-party expert, and an independent assessment is conducted annually to determine adequate insurance coverages and limits.

3. Permit individuals traveling out of the United States, on behalf of the College, to have inadequate travel accident insurance.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College has an international travel insurance policy that provides coverage for accidental loss to students, employees, and Trustees traveling abroad on behalf of the College.

- a. The appropriate amount of international insurance coverage was determined by McGriff Insurance Services and approved by the Board on 6/4/2024.

This interpretation is reasonable because providing insurance coverage for stakeholders traveling abroad on behalf of the College is consistent with practices employed by other higher education institutions.

4. Allow the College to have inadequate insurance for theft and crime coverage.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College ensures theft and crime coverages are at a level identified by the College’s third-party insurance consultant, as standard for an institution of our type, size, and scope.

- a. The appropriate amount of crime insurance coverage was determined by McGriff Insurance Services and approved by the Board on 6/4/2024.

This interpretation is reasonable because the recommendations for coverage levels are provided by a third-party industry consultant and this is a standard practice in the higher education industry.

5. Unnecessarily expose the organization, its Board members or College employees to claims of liability.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College has administrative policies, procedures, protocols and plans in place that reduce the risk of institutional liability.

- a. On 1/27/2025, the CFO/VPA confirmed that the College had appropriate policies, procedures, protocols, and plans in place that reduce the risk of institutional liability as recommended by its carriers.

This interpretation is reasonable because said policies, procedures, protocols and plans are required by the United States Department of Education.

5.1. Allow any material contracts or material internal human resource documents to be executed with inadequate review by qualified legal counsel.

INTERPRETATION:

EVIDENCE:

I interpret “material contract” to mean a contract that requires Board approval. I interpret “material internal human resource documents” to mean an agreement between the College and its employees.

Compliance will be demonstrated when:

- a. All material contracts approved by the Board are reviewed by legal counsel prior to execution.
- b. All material internal human resource documents are reviewed by legal counsel prior to execution.

- a. Prior to November 2024, all material contracts were not reviewed by legal counsel prior to execution. On 1/27/2025, the CFO/VPA confirmed that all material contracts approved by the Board since November 2024, have been reviewed by legal counsel prior to execution. Additionally, this required legal review will be documented in the Financial Procedures Manual by the end of FY2025.
- b. On 1/27/2025, the VP for Talent and Culture confirmed that all material internal human resource documents were reviewed by legal counsel prior to execution.

This interpretation is reasonable because legal review of high-value contracts and internal human resource documents is an industry best practice.

6. Fail to ensure that the companies chosen to provide insurance coverage are highly rated, well regarded and known for fair claims practices.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The insurance companies identified through an independent insurance broker have an A.M. Best rating of Excellent (A) or better.

- a. On 1/27/2025, the CFO/VPA confirmed with McGriff Insurance Services that all insurance companies chosen to provide insurance coverage had an A.M. Best rating of Excellent (A) or better.

This interpretation is reasonable because the A.M. Best rating is a recognized industry standard for assessing the quality of insurance providers.

7. Compromise the independence of the Board’s audit or other external monitoring or advice.

INTERPRETATION:

EVIDENCE:

- Compliance will be demonstrated when:
- a. The College’s Chief Financial Officer and Vice President for Administration solicits auditor services via a competitive bidding process, and the Board provides final contract approval.
 - b. There are no material audit findings that were left unmitigated.

- a. FCC, Frederick County, and Frederick County Public Schools jointly solicited proposals for professional auditing services (RFP#21MISC7). In March 2021, the Board approved the 3-year (FY21-FY23) award to SB & Company with the option to renew each year for an additional 3-years (FY24-FY26). The Board approved the FY24 audit renewal year on 2/21/2024. The FY25 audit renewal year will be presented to the Board on 2/19/2025 for approval.
- b. The FY24 Audited Annual Financial Report was presented to the Board of Trustees on 10/16/2024 and confirmed no material findings.

This interpretation is reasonable as a third-party must annually review and certify the College’s financial statements and it is customary for higher education institutions to engage in a competitive bidding process for financial auditors on a periodic basis to ensure objectivity.

8. Receive, process, or disburse funds under controls which are insufficient to meet audit standards or inadequate, by industry standards, to detect and prevent fraud.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The external auditors do not find any deficiency in the internal controls process, as part of their annual audit; or
- b. Any deficiency noted in internal controls is corrected within 90 days.

- a. The FY24 Audited Annual Financial Report was presented to the Board of Trustees on 10/16/2024 and confirmed no material deficiencies in the internal controls process.
- b. No deficiencies in internal controls were noted in the latest audit performed for FY24.

This interpretation is reasonable because the use of external third-party auditors to examine, evaluate, and recommend improvements and/or corrections to fraud protection practice is a higher education industry standard.

9. Make any purchases that do not result in appropriate level of quality, after-purchase service, and value for dollar, or do not provide opportunity for fair competition.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College adheres to purchasing protocols that allow the institution to purchase quality products at a reasonable cost and exhibit overall effective resource management.

- a. On 1/27/25 the CFO/VPA confirmed that the College has and adheres to established purchasing protocols. A random sampling of procurement documents and transactions was tested for adherence to FCC's purchasing policies and was included in the FY24 annual audit presented to the Board on 10/16/2024.

This interpretation is reasonable because it ensures attention to the items below (9.1 and 9.2), conforms to Maryland law, and is consistent with practices employed by other higher education institutions.

9.1. Make any purchase wherein normally prudent protection has not been evaluated against conflict of interest.

INTERPRETATION:

EVIDENCE:

- Compliance will be demonstrated when:
- a. Per the College’s Code of Ethics policy, employees decline involvement in decisions or actions regarding the procurement of products or services when the employee, or the employee’s family member, has an interest or financial interest in the product or service, or creates an unfair benefit for a third party.
 - b. The external auditor notes there is no conflict of interest in transactions in the past fiscal year among defined employees or Trustees; and
 - c. Material conflicts are disclosed in the annual audited financial report.

- a. On 2/19/2025, the VP for Talent and Culture confirmed that a review of the Maryland State Ethics Commission annual disclosure reports was conducted. The VP also verified that all active employees agreed to (by signature affixed to their annual employment agreements) abide by FCC’s code of conduct which includes adherence to FCC’s Code of Ethics Policy, Employee Misconduct Policy, and other related FCC policies and procedures.
- b. On 1/27/25 the CFO/VPA confirmed that testing (random sampling) for adherence to FCC’s purchasing policies was part of the FY24 annual audit presented to the Board on 10/16/2024. No conflicts of interest were noted.
- c. On 1/27/25 the CFO/VPA confirmed there were no material conflicts noted in the FY24 annual audited financial report presented to the Board on 10/16/24.

This interpretation is reasonable because an annual review by a third-party auditor of purchasing practices is a higher education industry best practice.

9.2. Make any purchase that fails to follow the College’s published guidelines and applicable State procurement guidelines for price and quality competition based on price thresholds, unless considered a ‘sole-source.’ Orders shall not be split to avoid procurement requirements or required competition among vendors.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The external auditor conducts a review of a statistically valid sample of purchase order requisitions for policy compliance and confirms that all orders are compliant with the required bid, sole source provider, or piggyback contract documentation.
- b. The administrative procurement procedures are consistent with the Code of Maryland Regulations (COMAR).

- a. The CFO/VPA confirmed on 1/27/2025 that a random sampling of procurement documents and transactions was tested for adherence to FCC’s purchasing policies and was included in the FY24 annual audit presented to the Board on 10/16/2024.
- b. The CFO/VPA confirmed on 1/27/2025 that procurement procedures follow established COMAR regulations and the appropriate procurement documentation is attached to all purchase orders (per College policy).

This interpretation is reasonable because the process validation is conducted by external auditors of the College, which is an industry standard approach.

10. Endanger the organization’s public image, credibility, or its ability to accomplish Board Ends, in any of the following ways:

10.1. Allow non-adherence to guidelines required for institutional and secondary program accreditation.

INTERPRETATION:

EVIDENCE:

<p>Compliance will be demonstrated when:</p> <p>a. Institutional (e.g. Regional) and program accreditation agencies confirm that all required data and documentation has been provided by required submission dates to maintain accreditation.</p> <p>b. The accrediting agencies report that the College is in good standing.</p>	<p>a. The Provost and VP for Teaching, Learning and Student Success in conjunction with the Chief Foresight and Decision Support Officer confirmed on 2/12/2025 that all required data and documentation has been provided by required submission dates to maintain institutional and program accreditation.</p> <p>b. These accrediting agencies report that the College is in good standing.</p> <ul style="list-style-type: none"> • Middle States Commission on Higher Education (MSCHE) – FCC is currently working through reaccreditation with the official response to the College by November 2025. • Maryland Higher Education Commission (MHEC) – MHEC authorizes FCC to award associate degrees and certificates. • American Culinary Federation Education Foundation Accreditation Commission (ACFEFAC) – expires 12/31/2028. • Commission on Accreditation in Physical Therapy Education (CAPTE) – The year of the next review is before 6/30/2029. • Council for the Accreditation of Emergency Management and Homeland Security Education (CAEMHSE) – The year of the next review is the 2027-28 Academic year. • Maryland Board of Nursing -The year of the next review is before 6/30/2028.
--	--

10. Endanger the organization’s public image, credibility, or its ability to accomplish Board Ends, in any of the following ways:

10.1. Allow non-adherence to guidelines required for institutional and secondary program accreditation.

INTERPRETATION:

EVIDENCE:

b. The accrediting agencies report that the College is in good standing. (continued)

- Accreditation Commission for Education in Nursing (ACEN) – The year of the next review is before 6/30/2026.
- Commission on Accreditation for Respiratory Care (CoARC) – The year of the next review is before 7/31/2032.
- Accreditation from the Commission on Accreditation of Allied Health Education Programs (CAAHEP) – The year of the next review is 2025.
- Maryland State Board of Dental Examiners – The year of the next review is 2028.

This interpretation is reasonable because the College’s regional accreditor and secondary program accreditors are external to the College and have defined practices for determining the quality of the College and its program offerings.

10.2. Accept gifts or grants which obligate the College to make future expenditures or encumber future decision-making or take future actions other than those that are reasonably required by the gift or grant.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College does not accept gifts other than through the Frederick Community College Foundation in accordance with the Foundation Gift Acceptance Procedure.
- b. The College adheres to a written procedure for developing and managing grants that sets forth specific criteria for the application, review and approval process.

- a. The CFO/VPA and the Executive Director for Development and the FCC Foundation confirmed on 1/27/2025 that the College followed the Foundation Gift Acceptance Procedure and did not accept gifts in the past year except through the FCC Foundation.
- b. On 2/12/2025, the CFO/VPA confirmed that the College has a process for developing and managing grants, however the procedure is not currently documented. The procedure will be documented by the end of FY25. On 1/27/2025, the CFO/VPA confirmed that the FY24 Single Audit, presented to the Board of Trustees on 10/16/2024, verified that fund use has been limited to intended purpose.

This interpretation is reasonable because it is an industry best practice to ensure that gifts are properly receipted, and grant obligations are within current and future budget appropriations.

10.3. Publicly position the College in support of, or opposition to, any known political organization, or candidate for public office.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. Administrative policies, news releases, or any public statements on behalf of the College were politically neutral.

- a. The Chief of Staff to the President confirmed on 2/13/2025 that the College's Solicitation Policy prohibits the promotion of a political party or candidate. Administrative policies that will address news releases and public statements on behalf of the College being politically neutral will be developed by July 2025.

This interpretation is reasonable as it is a common best practice in public higher education for organizations to remain politically neutral.

10.4. Develop or continue collaborative relationships with organizations whose principles or practices are incompatible with those of the College.

INTERPRETATION:

EVIDENCE:

I interpret “collaborative relationships” to mean contractual relationships.

Compliance will be demonstrated when:

- a. All collaborative relationships are with organizations whose principles and practices are aligned with the Board Ends, and the Mission, Vision, Values and Strategic Priorities of the College.

- a. The CFO/VPA confirmed on 1/27/2025 that all contractual relationships are with organizations whose principles and practices generally align with the Board Ends and FCC's Mission, Vision, Values, and Strategic Priorities.

This interpretation is reasonable because only members of the College’s Senior Leadership Team and the President are allowed to enter into contractual relationships with organizations.

10.5. Allow relationships with the Ownership and/or stakeholders to be inconsistent with the productive cooperation necessary to the achievement of Ends.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The College has no owner/stakeholder relations matters that remain unresolved and cooperation between all parties remains productive.

- a. The CFO/VPA confirmed on 1/27/2025 that the College has no owner/stakeholder relations matters that are not either actively being addressed or remain unresolved and cooperation between all parties remains productive.

This interpretation is reasonable because effective stakeholder relations are a best practice in the higher education industry.

11. Change the organization’s name or substantially alter its identity in the community.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. In the event the College’s name is changed, it is noted by action of the Board of Trustees, as approved and recorded in the minutes; and
- b. Proposed name changes are requested of and approved by the Middle States Commission on Higher Education; and
- c. Proposed name changes are requested of and approved by the Maryland Higher Education Commission; and
- d. Any change in the name, image, and likeness, or positioning of the College identity, is noted by action of the Board of Trustees, as approved and recorded in the minutes.

- a. On 1/27/2025 the CFO/VPA confirmed that the College has maintained its name since it was established in 1957.
- b. The CFO/VPA confirmed on 1/27/2025 that the College has not requested a name change from the Middle States Commission on Higher Education.
- c. The CFO/VPA confirmed on 1/27/2025 that the College has not requested a name change from the Maryland Higher Education Commission.
- d. The CFO/VPA confirmed on 1/27/2025 that no change has occurred in the name, image and likeness or positioning of the College identity.

This interpretation is reasonable because it is a requirement of the aforementioned authorities to advance a name change.

12. Create or purchase any subsidiary corporation.

INTERPRETATION:

EVIDENCE:

Compliance will be demonstrated when:

- a. The Board’s auditor confirms that there has been no purchase or creation of a subsidiary corporation without prior approval by the Board of Trustees.

- a. On 1/27/2025, the CFO/VPA confirmed that Frederick Community College Foundation, Inc. is a component unit of the College and is included in the annual financial audit completed by SB & Company that was presented to the Board on 10/16/2024.

This interpretation is reasonable because the Board of Trustees retains the authority to purchase a subsidiary corporation and any such action by the Board must be noted as approved recorded in the minutes.