



Wes Moore GOVERNOR

Aruna Miller LT. GOVERNOR

Charles Glass, Ph.D., P.E. EXECUTIVE DIRECTOR

BOARD OF DIRECTORS AUDIT COMMITTEE MEETING MINUTES

May 18, 2023

LOCATION: Video Call

TIME: 3:00 p.m.

COMMITTEE

MEMBERS PRESENT: Shelley L. Heller, Chair (video)
Honorable Robert R. Neall, Treasurer
Dereck E. Davis, State Treasurer (video)
Charles Glass, Ph.D., P.E., Executive Director

COMMITTEE

MEMBERS ABSENT: None

OTHERS PRESENT: Sean Coleman, Esq. Casey Powers (video)
Ellen Frketic Jana Leech (video)
Pamela Fuller Valerie Colimon, RSM (video)
Hament Patel Philip King, RSM (video)
Winsome Condra

CALL TO ORDER

Ms. Heller called the meeting to order at 3:04 p.m. Some Board members and staff were present at Maryland Environmental Service (MES) Headquarters, and other Board members and staff participated via Zoom video call. The meeting was streamed live to the public on YouTube.

MINUTES

Ms. Heller requested discussion or a motion for the approval of the minutes of the Audit Committee meeting of October 20, 2022. No corrections or objections were noted, and the minutes were unanimously approved.

RSM FY22 EXPENSES AUDIT

Ms. Colimon and Mr. King (RSM) presented the executive summary of the Agency expense audit, which was completed in April 2023.

This audit examined the Agency's compliance with defined policies and procedures provided by the Agency for expense reports, purchase card purchases, and supplier invoices, with a focus on unauthorized spending, misallocated expenses, and accounting errors during the period July 1, 2021, to June 30, 2022.

There were only two exceptions noted, both involving expense reimbursements not submitted within 30 days. A thorough review of expenses revealed no deviations from policy and no unauthorized spending. The two late submissions were the result of unavoidable issues and were for authorized expenses.

RSM FY23 AUDIT

Ms. Colimon and Mr. King presented an overview of the FY23 Audit Strategy. The preliminary audit will begin in July 2023 with a walkthrough of transaction cycles and preliminary analytical review procedures. The year-end fieldwork is scheduled for the week of August 7, 2023. The final internal review will be completed in October 2023. That month RSM will also provide a presentation to the Audit Committee and issue their reports on audit and indirect costs. In December 2023, they will perform the expense policy audit and issue the accountant's report.

The audit planning process emphasizes understanding the entity, materiality, internal control, risk assessment, and discussion among the engagement team. They will issue reports on the internal control over financial reporting and compliance related to financial statements and major programs, as well as compliance with State laws, statutes, regulations, and the terms and conditions of federal awards.

New accounting pronouncements include: GASB Statement 94 (public-private and public-public partnerships and availability payment arrangements); GASB Statement 96 (subscription-based information technology arrangements) and GASB Statement 99 (Omnibus 2022)

There were no questions from the Audit Committee. Representatives from RSM left the meeting at 3:26pm.

INTERNAL AUDIT REPORT

Ms. Condra presented the Internal Audit (IA) report and update. She also announced that May is Internal Audit Awareness Month.

FY23 Audit Updates

Audit 23-01 reviewed the contractor Minority Business Enterprise (MBE) / Small Business Reserve (SBR) waiver process. This audit was completed on April 3, 2023. The audit reviewed the process to waive the contractor's MBE participation and SBR-designated bids from July 12, 2021, to June 30, 2022. It identified two key management issues: lack of separation of duties (SOD) controls and undocumented processes. Internal Audit recommended that MBE/SBE analysis be separate from the MBE officer duties, as well as more thorough documentation of processes and succession planning. A waiver process was already in existence but not formalized in guidelines.

Audit 23-2 is a review of the segregation of duties. This audit is in the testing phase. The final report should be completed by June 30, 2023.

Audit 23-3 will be a review of Eastern Shore Forest Products' time and materials contract. This audit is in the initial planning stages.

FY24 Audit Plan

The following audits are scheduled for fiscal year 2024:

- Review of procurement shortlist selection process
- Review of management of duplicate invoices within Workday
- Review of training application policy and process
- Review of strategic compensation benefit management

Billable Project Activity


The Internal Audit staff assisted Maryland Department of Emergency Management (MDEM) with COVID close-out review. This is billable work that will extend for the next year. The IA staff are looking for any other potential billable projects that can help MES' environmental partners respond to problems, further their missions, and address audit needs.

FY25/FY26 Risk Assessment

Work will begin on the FY25/FY26 Risk Assessment in October and November 2023. There were no questions, comments, or concerns.

ADJOURNMENT

Upon motion by Mr. Neall, the meeting adjourned at 3:45 pm.



**MOALIE JOSE
CHAIR, AUDIT COMMITTEE**