



Wes Moore GOVERNOR

Aruna Miller LT. GOVERNOR

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

BOARD OF DIRECTORS AUDIT COMMITTEE MEETING MINUTES

May 23, 2024

LOCATION: Headquarters/Video Call

TIME: 9:30 a.m.

COMMITTEE MEMBERS PRESENT: Moalie Jose, P.E., Chair (video)
Brendon Baatz, Treasurer (video)
Dereck E. Davis, State Treasurer (video)
Shelley L. Heller, Board Chair (video)

COMMITTEE MEMBERS ABSENT: None

OTHERS PRESENT: Charles Glass, Ph.D., P.E. Jeff Tosi (video)
James Johnson, Jr., Ph.D., P.E. Priscilla Carroll, Esq.
Sean Coleman, Esq. (video) Casey Powers (video)
Ellen Frketic Valerie Colimon, RSM (video)
Pamela Fuller Jean Borno, RSM (video)
Hament Patel
Winsome Condra (video)

CALL TO ORDER

Ms. Jose called the meeting to order at 9:31 a.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. Jose requested a discussion or motion for the approval of the minutes of the October 19, 2023, Audit Committee meeting. No corrections or objections were noted and the minutes were unanimously approved.

HOUSE BILL 78 (2024 LEGISLATIVE SESSION)

Mr. Tosi reviewed the recently enacted MES Governance bill (House Bill 78, 2024 Session). Among other things, the bill changes the due dates of several audit reports. The annual financial audit and the annual report are now both due to the Governor's office, the General Assembly, and the Department of Budget and Management by November 15 of each year. The misallocated expenses audit, which was added as a one-time event, will now be included in the annual report. For the Board to have time to review the results, the audit should be completed and submitted to the MES Audit Committee in October.

RSM FY24 AUDIT PLAN

Ms. Colimon and Mr. Borno presented an overview of the FY24 Audit Strategy. The preliminary audit will begin on June 10, 2024, with a walkthrough of transaction cycles and preliminary analytical review procedures. The year-end fieldwork is scheduled for the week of July 29, 2024. Final wrap-up and report tie-outs will occur in early September. The final internal reviews, Audit Committee presentation, audit report issuance, and indirect costs report will be done in October 2024.

The audit planning process emphasizes understanding the entity, materiality, internal control, risk assessment, and discussion among the engagement team. RSM 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.

The Board asked when a preliminary report would be ready for their review, as they would like one to two weeks to review it before it is submitted to the Governor. RSM relayed that the report would be undergoing internal review in September, but a draft could be ready by October 10, 2024. There were no further questions from the Audit Committee.

RSM FY23 AUDIT

Ms. Colimon updated the Committee on the FY23 Financial Audit which was previously presented at the October 2023 meeting. They have issued an unmodified opinion. The only change made was to the Executive Summary page. The Financial Statements and Indirect Cost Schedules were completed December 22, 2023. The Compliance report was completed January 22, 2024. The Expenses Audit for the period July 1, 2022, to June 30, 2023, was completed March 14, 2024. There were no findings to report. They noted no significant deviations from accounting policies and no unusual transactions. There were no deficiencies in internal controls or uncorrected misstatements

Mr. Patel thanked the RSM team for their diligent and thorough review.

INTERNAL AUDIT REPORT

Ms. Condra presented the Internal Audit (IA) report and update.

FY24 Completed Audits Updates

Audit 23-2 was a review of the segregation of duties within Workday. The Board and the Audit Committee requested this audit to assess internal controls within the Information Technology (IT) systems and to review policies and procedures. The controls were rated ineffective. There were no misdeeds. All issues have been addressed and solutions continue to be implemented.

Audit 23-3 was a review of the closeout of the Eastern Shore Forest Products' time and materials contract. There were no discrepancies.

The Internal Audit staff assisted Maryland Department of Emergency Management (MDEM) with a COVID close-out review. Between November 2022 and April 2024, the IA staff billed 1,582 hours.

FY24 Planned Audits

The following audits are scheduled for 2024:

- 24-1 Review of management duplicate invoices within Workday
- 24-2 Review of procurement shortlist selection process
- 24-3 Review of training application policy and process
- 24-4 Review of strategic compensation benefit management

IA Staff Expansion

A new IA Chief will be starting soon. Additional support positions will be needed for the planned audits, investigations, special projects, unplanned audits, succession planning, and billable efforts.

Institute of Internal Auditors Standards Update

The Global Internal Audit Standards were recently revised by The Institute of Internal Auditors and updates will become effective January 9, 2025. Ms. Condra reviewed the required changes. Changes will be required to the MES IA Charter.

OLD/NEW BUSINESS

The next Audit Committee meeting is scheduled for Thursday, October 24, 2024, at 9:30 a.m.

ADJOURNMENT

The meeting adjourned at 10:35 a.m.



MOALIE JOSE
CHAIR, AUDIT COMMITTEE