

**MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES  
AUTHORITY**

**AUDIT COMMITTEE**

A meeting of the Audit Committee of the Maryland Health and Higher Educational Facilities Authority (the Authority) was convened at 8:30 a.m. Tuesday, May 2, 2023 with Mr. Frederick Meier, Chairman, presiding. This open meeting was held at 401 East Pratt Street (World Trade Center) in a conference room on the 26<sup>th</sup> Floor. This meeting was open to the public and available to the public remotely via a recorded conference and video line.

Present:        Frederick Meier, Chairman  
                  Arnold Williams, Member  
                  Mamie Perkins, Member  
                  Bonnie Phipps, Member  
                  Sheila Riggs, Member  
                  Dan White, Member  
                  Bart Savidge, Executive Director  
                  Lynn Gorman-Lepson, Chief Financial Officer  
                  David Gregory, Bond Counsel  
                  William Taylor, IV, Bond Counsel  
                  Eric Rumberger, CohnReznick LLP  
                  Amy Higgins, CohnReznick LLP

Absent:         Jonathan Martin as representative of Treasurer Dereck Davis, Member

1. The minutes of the September 7, 2022 meeting of the Audit Committee were approved.
2. Representatives of CohnReznick were in attendance to present regarding the fiscal year 2023 audit and the agreed upon procedures (AUP) engagement.
  - Mr. Eric Rumberger, from the Charlotte, NC CohnReznick office, introduced himself as the new partner on the engagement due to the retirement of Mr. Dan Kenney. He provided a brief background of himself highlighting that he had worked with Mr. Kenney on prior engagements and that they met several times to discuss the Authority's audit and AUP engagement. Mr. Rumberger stated that Amy Higgins and Alicia Dennis will be returning as managers and that James Lyons will be returning as the concurring technical review partner on the engagement. There will also be a new manager and senior associate on the engagement, both from the Charlotte office.
  - There was a question raised regarding the effectiveness of a remote audit. Some discussion followed and members of the CohnReznick team stated that the remote

audits conducted in the past 2 years were very efficient due to the use of the share portal and weekly meetings with management.

- Mr. Rumberger reviewed the timeline and implementation plan for both engagements and introduced, in general, the required audit procedures. Mr. Rumberger highlighted that these dates are consistent with the prior year. The anticipated completion date for fieldwork is August 25, 2023.
  - Mr. Rumberger provided more detail regarding the required audit procedures by discussing the preliminary assessment of potential risk areas, fraud interviews, walk throughs of key control processes, and areas of detailed testing, e.g., journal entries and administrative fee calculations. Mr. Rumberger also described the audit procedures related to financial statement presentation and disclosures.
  - Mr. Rumberger discussed the Final Review and Reporting steps and disclosures.
  - Mr. Rumberger reviewed CohnReznick's responsibilities under AU-C-260 - the Auditor's Communication with those Charged with Governance.
  - Mr. Rumberger reviewed two new GASB Pronouncements: No. 96, Subscription-Based Information Technology Arrangements (SBITA), and No. 101, Compensated Absences and stated that neither of these apply to the Authority.
  - Mr. Rumberger gave an overview of the guidance on agreed upon procedures (AUP's) and reviewed the six procedures to be covered by the engagement. Mr. Rumberger stated that procedure number 5 relating to bond issuances in default or in violation of a debt covenant was expanded by management for FY 2023 to include a representative selection of certain LIBOR to SOFR amendments.
  - Ms. Gorman-Lepson stated that management believed the inclusion of these 6 amendments was prudent based on a review of the Authority's current business environment. Ms. Gorman-Lepson noted that due to the sunseting of the LIBOR interest rate index in June 2023, over 40 of the Authority's bank direct placements needed amendments to change their variable rate index from LIBOR to SOFR. Ms. Gorman-Lepson stated that management decided to select one amendment from each of the six banks involved in this process. A question was raised whether management's selection criteria was inclusive of all 3 account managers. This question was answered affirmatively.
3. Mr. Fred Meier facilitated a discussion about selecting a date for the next Audit Committee Meeting. After some discussion it was determined that the next meeting would be held on Tuesday, September 12, 2023, at which time the Draft Audited Financial Statements would be presented for acceptance and then will be presented to the entire Board for approval at the October 3, 2023 meeting.
  4. Ms. Gorman-Lepson provided an overview of the FY 2024 Operating and Capital Budget.

- Ms. Gorman-Lepson stated that the Authority has a good business model; operating revenues are stable and operating expenses are predictive. She noted that the budgeted amount for Administrative Fee Revenue was consistent with the prior fiscal year budgeted amount.
- Ms. Gorman-Lepson stated that operating expenses are fairly predictable and the two major categories of expenses for the Authority are Salaries Expense and Professional Fees. She stated that 2024 salaries expense was based on a 5% increase and that the budgeted amount for professional fees was reduced by \$25,000. There was some discussion on the basis for the 5% salary expense increase and why the budgeted amount for professional fees was so much higher than the projected FY 2023 amount. Mr. Savidge stated that he had several discussions with Jonathan Martin and that the 5% increase in salaries is consistent with that of the State. Ms. Gorman-Lepson stated that professional fees expenses are very hard to predict as they are based on authorization volumes and the mix of public versus private transactions. She notes that the Authority historically been overbudget in this expense category as it is difficult to predict issuance volume.
- Ms. Gorman-Lepson highlighted that the budgeted amount for contracted services was decreased by \$15,000 in FY 2024 due to a new contract that was negotiated with SS&C EVARE Data Network for a lower annual amount. Ms. Gorman-Lepson stated that the other expense line items were in line with FY 2023 budgeted amounts.
- A question was raised regarding how the budgeted investment income amount was determined. Ms. Gorman-Lepson responded that the investment policy for the Authority remained the same; a buy and hold strategy relying on a ladder approach to investment purchases. As such the FY 2024 investment income was based upon the stated coupon rate for the current investments in the portfolio that do not mature prior to 6/30/24. If investments mature prior to 6/30/24, investment income is budgeted as a combination of stated coupon rate for FY 2024 days outstanding plus investment revenue budgeted at 4% for all days outstanding subsequent to maturity. The Authority will include in the FY 2024 budget materials to be presented at the June 6, 2023 meeting, the investments held in its portfolio which will include the duration statistics.
- A question was raised regarding the details of the Authority's insurance coverage and providers. There was discussion on management's efforts on working with its agent, RCM&D on its annual review of its policies and renewal efforts. The Authority will include in the FY 2024 budget materials to be presented at the June 6, 2023 meeting a review of its insurance coverage, providers and premiums to provide additional background information.
- The Audit Committee unanimously approved the FY 2024 operating and capital budget. This budget will be presented to the entire Board for approval at the June 6, 2023 meeting.

5. Having no other matters coming before the Audit Committee, the meeting was adjourned at approximately 9:30 a.m.

Approval:

  
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Frederick Meier, Chairman

  
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Lynn Gorman-Lepson  
Chief Financial Officer

Date: September 7, 2023