

AUDIT COMMITTEE ACTIVITY REPORT

FISCAL YEAR 2022 (July 1, 2021 – June 30, 2022)

Report Date: November 16, 2022

INTRODUCTION

The Audit Committee (AC or Committee) operates independently from the management of the Maryland-National Capital Park and Planning Commission (M-NCPPC or Commission). The AC serves as a forum, in which auditors and other interested parties may identify and discuss concerns related to financial reporting and internal controls.

The Annotated Code of Maryland, Land Use Article, Subtitle 4 Audit Committee, §15-401-§15-405, governs the establishment and function of the Audit Committee (e.g. membership, terms, qualifications, and powers).

During FY22, the AC consisted of four (4) voting members:

- Dorothy Bailey, Vice-Chair, Prince George's County Planning Board, Audit Committee Chair
- Partap Verma, Vice Chair, Montgomery County Planning Board
- Benjamin Williams¹ Public Member, Prince George's County
- Erin White² Public Member, Montgomery County

The Commission Chair serves as a nonvoting member of the Audit Committee. For FY22, Chair Elizabeth Hewlett served on the AC July 1, 2021 – January 14, 2022 and Chair Casey Anderson served on the AC January 15, 2022 – June 30, 2022.

Commission Practice No. 1-31, *Organization and Functions of the Audit Committee and Office of the Inspector General*, provides additional guidance on the Committee's requirements. The Practice requires the AC to submit the following annual reports:

- A written report that addresses how the Committee discharged its duties and met its responsibilities.
- Evaluation of the adequacy of internal controls; the agency's adherence to financial regulations/policies; and any other significant concerns/complaints that were filed with or identified by the Audit Committee.
- A summary of significant audit findings as prepared by the Inspector General.

This Annual Report is being submitted to satisfy these requirements.

¹ On January 6, 2022, Mr. Benjamin Williams was re-appointed for a two-year term as Prince George's County AC public member expiring on September 30, 2023.

² On March 17, 2022, Ms. Erin White was appointed a two-year term as Montgomery County's AC Public Member, expiring on September 30, 2023. Ms. White replaced Ms. Lori Depies, upon completion of her term.

DISCHARGE OF DUTIES

External Auditors

The Audit Committee is responsible for appointment, compensation, retention, and oversight of the work of any external auditor engaged for the purpose of performing independent audit services, reviews or attest services.

Each fiscal year, the Office of the Secretary-Treasurer submits an Annual Comprehensive Financial Report (ACFR), in accordance with the Land Use Article of the Annotated Code of Maryland. In conjunction with the ACFR, State statute requires an annual audit by independent certified public accountants.

The Department of Finance issued a competitive procurement for the Commission's external auditing services in January 2021. The Commission, with agreement from the AC, selected the accounting firm of SB & Company to complete the FY22 external review. The AC meets with the external auditor for pre-audit planning and audit closeout.

Office of the Inspector General

The Audit Committee must select and appoint the Inspector General. The AC re-appointed Ms. Renee Kenney, Inspector General on December 20, 2021, for a 4-year term, expiring December 2025.

On June 08, 2021, the AC formally approved the FY22 Fiscal Work Plan submitted by the Inspector General. The Work Plan included performance audits, fraud, waste, and abuse investigations, management advisories, and follow-up reviews.

The Audit Committee held the following meetings in FY22 with the Inspector General to discuss significant audit findings/recommendations:

- September 14, 2021
- June 14, 2022

In addition, the Audit Committee and the Inspector General received training on Maryland's Open Meeting Act on March 8, 2022. The training was provided by General Counsel's Office.

SIGNIFICANT AUDIT FINDINGS

The Office of the Inspector General's FY22 Annual Report includes an overview of OIG operations, and a summary of all issued audit and investigative reports. Per the OIG's FY22 Annual Report, four Audit Reports included major audit concerns. A major audit concern identifies a deficiency in the design or operation of an internal control procedure(s) which adversely affects an operating unit's ability to safeguard assets,

comply with laws and regulations, and ensure transactions are properly executed and reported.

- 1) Take Home Vehicles – Thirty-three (33) employees have been assigned a take home vehicle on an ongoing basis. The OIG determined 3 employees did not have an authorized vehicle assignment form and 12 employees were not consistently maintaining vehicle mileage logs. Management concurred with the audit recommendations and took immediate steps to resolve.

The OIG completed audit follow-up testing in June 2022. Two of the three audit recommendations were resolved. A recommendation to “Ensure Vehicle Mileage Logs are Properly Maintained” was partially resolved. An updated mileage log has been developed and promulgated, compliance testing to be completed in FY23.

- 2) Southern Area Aquatics and Recreational Complex (SAARC) – The OIG concluded facility management did not have adequate oversight of controlled (<\$10,000) and capital (>\$10,000) assets. This was identified as “major” due to the significant lack of oversight. Approximately 9 months before the start of the audit, OIG completed a pre-opening walk-through of the facility with management. During the walk-through management was advised to document all controlled assets. At the time of audit, controlled asset forms were not completed for existing controlled assets. In addition, no asset tags were secured for any of SAARC’s assets (controlled or capital). Management concurred with the audit findings and provided the OIG with an action plan to resolve all identified issues.

The OIG completed audit follow-up testing in July 2022, both audit recommendations have been resolved.

- 3) Montgomery County Maintenance Yards – The audit covered 25 maintenance facilities within Montgomery County. The OIG determined 15 facilities were not maintaining controlled asset listings and 23 facilities were not completing annual physical inventories. Management concurred with the findings. Management stated deficiencies were due in part to a change in management coupled by staff shortages due to COVID alternating schedules. Management committed to establishing a working group to address the findings. OIG follow-up testing will be completed in FY23.

- 4) Enterprise Project Plan – Commission-Wide Information Technology Projects – (CWIT) - Commission-wide IT projects are funded through an internal service fund. The Commission’s IT Council provides administrative oversight of CWIT projects. The OIG determined, monthly project reporting to the IT Council did not contain essential information to support effective and fiduciary decision making. The Office of the Chief Information Officer concurred with the recommendation and is working with IT Council to improve the presentation of information. OIG follow-up testing is scheduled for October 2022.

The Audit Committee receives a copy of all audit and investigative reports issued by the Office of the Inspector General. High risk audit recommendations, with management responses are reviewed in the quarterly Audit Committee meetings. No additional significant audit concerns have been brought to the attention of the Audit Committee.

SUMMARY

Based on our review of the Commission's Annual Comprehensive Financial Report, SB and Company's Audit Report and all reports and memorandums issued by the Office of the Inspector General, the Audit Committee deems the Commission's internal controls and adherence to financial regulations and internal policies acceptable. The Commission's internal control systems and processes appear to reduce operational and compliance risk, while also ensuring heightened fiduciary oversight of Commission funds.

CONCLUSION

The Audit Committee would like to thank the Chair Hewlett, Chair Anderson, Chair Shapiro, Commissioners, Officers, management, staff, and the Office of the Inspector General for their continued efforts to strengthen public accountability and to improve the effectiveness, productivity, and efficiency of Commission operations.