

**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 7, 2024 with Mr. Arnold Williams, Board Chair, 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:** Arnold Williams, Member  
Jonathan Martin as representative of Treasurer Dereck Davis, Member  
Mamie Perkins, Member  
Art Varnado, 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  
Sean Wille, CohnReznick, LLP

**Absent:** Frederick Meier, Audit Committee Chairman

1. The minutes of the September 7, 2023 meeting of the Audit Committee were approved.
2. Representatives of CohnReznick were in attendance to present regarding the fiscal year 2024 audit and the agreed upon procedures (AUP) engagement.
  - Mr. Eric Rumberger introduced himself as the returning partner on the engagement and stated that Amy Higgins, Sean Wille and Alicia Dennis will be returning as managers and that James Lyons will be returning as the concurring technical review partner on the engagement.
  - 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 23, 2024.
  - 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 provided details on two new GASB Pronouncements: No. 101, Compensated Absences and No. 102, Certain Risk Disclosures. There was some discussion on applicability to the Authority, but it was concluded that, at this time, neither of these apply to the Authority. It was also concluded that Ms. Gorman-Lepson would communicate with Mr. Rumberger in the planning phase of the FY 2025 Audit to ensure no changes relating to these pronouncements.
  - 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. Ms. Gorman-Lepson provided details on the purpose and selection criteria for the AUP and highlighted that all bonds were selected by management and all procedures were under the direction of management. She also stated that there were no changes to the scope of the selection criteria this FY.
3. Ms. Gorman-Lepson provided an overview of the FY 2025 Operating and Capital Budget.
- Ms. Gorman-Lepson stated that operating revenues were stable and consistent and since 2007, the Authority has waived 70% of the maximum 10 basis points they are allowed to charge borrowers. This results in borrowers being charged 3 basis points per year. She noted that the budgeted amount for Administrative Fee Revenue is based on the annualized April 2024 billing amount, taking into consideration 2025 maturities, conversions and fluctuating balances for draw-down bonds.
  - Ms. Gorman-Lepson stated that given the Authority's size and efficiencies, it has been able to build up its board designated operations, community outreach and contingency assets balances over the years. She proposed to the Board the possibility of establishing the FY 2025 fee at the pre-2007 level of 2.5 basis points. This would further the Authority's purpose of providing low-cost financing for its borrowers while not relying on investment income to support operating expenses. Ms. Gorman-Lepson stated that a chart was added to the assumptions illustrating the impact of this 16.7% reduction on admin fee in the past 3 years. This impact, over the past 3 years was roughly a \$500,000 reduction to operating income each fiscal year. Mr. Savidge shared that the Authority's fees were competitive to eligible local and national issuers and the Authority delivered value-added services.

- Ms. Gorman-Lepson reported that the Authority's investment income has increased due to higher reinvestment yields. She stated that current calculations resulted in over \$1 million of budgeted investment income for FY 2025. Ms. Gorman-Lepson stated that the investment policy for the Authority remained the same; a buy and hold strategy relying on a laddered approach to investment purchases. She highlighted that new information was included in the assumptions illustrating this laddered approach and detailing the fiscal year maturities of the current investment portfolio.
  - 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 budgeted 2025 salaries expense was based on a 5.5% increase to account for inflationary factors as well as modest step increases for staff. 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 underbudget in this expense category but has reduced this budgeted line item for FY 2025 to be more predictive.
  - Ms. Gorman-Lepson highlighted that the Authority meets with its insurance broker annually and the budgeted insurance expense line item is reflective of current premiums, feedback on the D&O insurance market and includes a slight contingency.
  - The Audit Committee unanimously approved the FY 2025 operating and capital budget based upon a 2.5 basis point annual administrative fee. This results in the reduction of administrative fee revenue of approximately \$500,000 from the draft budget. This budget will be presented to the entire Board for approval at the June 4, 2024 meeting.
4. Mr. Williams reported to the Audit Committee that Ms. Bonnie Phipps had to resign from the MHHEFA Board due to a current directive that an individual can only serve on one Governor appointed Board. Ms. Phipps was also a Member of the University of Maryland Medical System Board and was asked to extend her term for another 5-years. Mr. Art Varnado was asked to serve on the Authority's Audit Committee and graciously accepted.
  5. Having no other matters coming before the Audit Committee, the meeting was adjourned at approximately 9:45 a.m.

The minutes of the May 7, 2024, Audit Committee are hereby approved.

Approval:

  
\_\_\_\_\_  
Frederick Meier, Chairman

  
\_\_\_\_\_  
Lynn Gorman-Lepson  
Chief Financial Officer

Date: September 5, 2024