

**Maryland 529
Board Meeting Minutes**

August 19, 2022

9:00 AM – 11:30 AM

Held via: Zoom Video Conference

**Board Members/Designees Present via
Conference Call**

Peter Tsirigotis, Board Chair
Geoffrey Newman, Secretary of Higher
Education’s Designee, Board Vice-Chair
Ellen Herbst, Chancellor of University
System of Maryland’s Designee, Secretary
Justin Dayhoff, Designee for the
Superintendent of Maryland State
Department of Education
Capathia P. Campbell
Dave Erculiani
Jessica McClain
Joanna Pratt

Staff, Representatives and Guests

Bernadette Benik, Interim Executive
Director
Janaki Kannan, Director of Finance
Meghan Marek, Assistant Attorney General
Maria Dodge, Director of Operations
Meghan Schultz, On behalf of Treasurer
Davis
Jack Reagan, UHY
Ivana Ritz, UHY
Heidi Bowers, UHY
Maria Padin, ICSS
Kristin Newman

Board Members/Designees Absence

Carol Beatty, Secretary of Maryland
Department of Disabilities
Justin Hayes, Maryland Comptroller’s
Designee

Maryland 529 Board Meeting

Mr. Tsirigotis called the meeting to order at 9:03 AM.

• **Executive Director Recruitment Update**

Ms. Herbst reported that the Board charged the Administration Personnel & Finance Committee to lead the Executive Director recruitment.

Ms. Herbst reported that there are two candidates that will be interviewed today. If one of these candidates does not earn the recommendation of the interviewers for the position, it is the recommendation of the Committee to use a professional recruitment firm to broaden the search. Ms. Benik consulted with the Department of Budget and Management, and they do not recommend going this route due to costs, but since Maryland 529 is an independent agency, it is available option. The Agency has moved forward with issuing the Request for Proposal (“RFP”) to find a search firm, which was patterned after a recent State Retirement solicitation and there were two firms that meet the criteria with selection being as early as next week. If a candidate is selected through direct efforts, the Agency does not need to go forward with the procurement. The outcome of this vote will clarify the direction this goes if a candidate is not selected from

these interviews. There being no further discussion and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board approves using a recruitment firm to assist with the recruitment of the Executive Director if a candidate is not found from the scheduled interviews.

- **UHY Report**

Ms. Benik provided background regarding the minimum benefits calculation issue from last fall. As a result, the Agency froze earnings distributions attributable to the Minimum Benefit in April and worked with ICSS to correct the issue to turn back on the calculations with June 2022 being the target timing. These discussions occurred just as UHY was being hired and the Agency and staff recommended having the auditor look at the calculations and report back to the Board before calculations were turned back on. This moved the calculation correction target date to mid-August so that ICSS could implement the corrections by the end of August.

During this time, Treasurer Davis requested information on the topic, which resulted in a letter being drafted that provided the background information available at that time. That letter was circulated to the Board and the General Assembly. This brings us to UHY's update on the subject.

Mr. Reagan introduced his team and noted that the Maryland 529 staff has been extraordinarily cooperative and open. He reported that his team looked into the ICSS issues by reviewing procedures, mapping reports and looking at minimum benefit calculations through samples of accounts under different scenarios. The calculation reviews were based on the Disclosure Statement. UHY did an independent calculation of what it should look like and then compared that to ICSS calculations with the intent of researching, examining and resolving issues. The Impact Analysis showed overpayments, underpayments, and non-fiscally related unit adjustments. Next a review of the root cause of the differences to determine if other accounts could be impacted needed to be done. They looked at dozens of different situations running into hundreds of samples. They should only need to look at 2-3 as the system should apply consistently. They are over sampling to assist staff with its determination of the situation.

In response to Ms. McClain's inquiry, Mr. Reagan reported that it is too early to note all concerns but initially UHY has identified issues from initial data transfer errors, missing fields, and the staff's work with ICSS's business rules from the Disclosure Statements. Updates are still appropriately ongoing with the work going towards getting the calculations right.

Pertaining to the annual audit, UHY is working to meet the October deadline using the new GASB Standards discussed at the recent Audit & Governance Committee meeting. This report is part of those new standards which requires more communication during the audit process. Mr. Reagan also disclosed that he has worked with Ms. McClain in the past. Mr. Reagan recapped some of the presentation highlights from that meeting, including two-way communication and observations during the process. He reviewed that Phase I which is the overall strategy and planning is complete and that as part of Phase 2, UHY has started some of the substantive testing, reviewed last year's fiscal statements and auditing will continue through September. He noted that there has been proactive cooperation from T. Rowe Price and Vestwell in providing

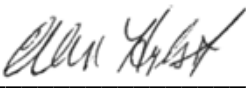
requested information, which will help with the effective administration of the audit. They have received annual reports and fiscal statements for each plan, are obtaining representation letters and will communicate findings to the Board. He would like to believe he is tough but fair and he has issued audits that were unmodified, modified, disclaimed, and with adverse opinions. He will call it like he sees it, which is why UHY was selected. They are looking at fair value, internal controls over fair values, procedures around the balances. He noted that the financial statements are complex due to the investment aspects. The program manager transition to ICSS is also being looked at. He thanked the Board for the opportunity.

In response to Ms. McClain's question, Mr. Reagan reported that he will present a mockup financial statement at the next Board meeting. Auditing will continue up to the minute they sign. Given the timing of the audit, they will endeavor to sign off prior to October 31, 2022.

- **Closed Session (9:33am)**

There was a recommendation to move to closed session to discuss specific account holder information and to get legal advice on minimum benefit issues. There being no further business, and upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board move into closed session to discuss to discuss specific account holder information and to get legal advice on minimum benefit issues.

Approved:  Date: October 18, 2022
Ellen Herbst, Board Secretary

Exhibits:

- 1A- Agenda
- 2- Presentation by UHY