

THE STATE TRANSPARENCY AND ACCOUNTABILITY REFORM (STAR) COMMISSION

**State Transparency and Accountability Reform (STAR) Commission Meeting
October 18, 2021**

10:00 AM

**Held via Zoom and Live Streamed on
www.governor.maryland.gov/star-commission**

Minutes

Chair Serafini calls the meeting to order at 10:00 AM.

Chair Serafini mentions that Sen. Eckardt will be absent from the meeting due to a committee site visit, and Gen. Linda Singh will be arriving late.

Chair Serafini welcomes everyone to today's meeting, and thanks everyone for their commitment and talents brought to the commission. He also reminds everyone that the final report will be delivered to the governor and legislature, and ultimately it will be up to the executive and legislature to implement any recommendations. The Commission's report is a map for consideration for the future. There is a role for quasi-governmental entities, but perhaps there are times where they may not always be appropriate. Marylanders pay taxes, and it's important that these entities are honest and accountable, so we must put the safeguards in place.

Chair Serafini takes a roll call:

- Secretary David Brinkley (Dept. of Budget and Management) - absent
- Jennifer LaHatte (Director of Policy & Program Development, Dept. of Commerce) - present
- Michael Harrison (Policy Director, Dept. of Labor) - present
- Secretary Jeannie Haddaway-Riccio (Dept. of Natural Resources) - present
- Bobbie James (Senior Advisor, Dept. of Environment) - present
- Commissioner Kathleen Birrane (Insurance Commissioner, Maryland Insurance Administration) - present
- Delegate Marc Korman (House of Delegates) - present
- Senator Brian Feldman (Maryland Senate) - absent, but arrives late.
- Delegate Kathy Szeliga (House of Delegates) - present
- Senator Addie Eckardt (Maryland Senate) - absent

- John Williams (CEO, Jamison Door; Univ. of Maryland Medical System, Conflict of Interest Subcommittee Chair, Member of Audit and Compliance Committee; Ethics representative) - present
- Karen Syrylo (Maryland CPA Legislative Committee Member, Financial representative) - present
- Dr. Linda L. Singh (PMP, PCC, Major General (retired), Public representative) not currently present but arrives shortly

Presentation by Dr. Charles Glass, Executive Director of the Maryland Environmental Service (MES) on his thoughts of implementing reform legislation that passed during the 2021 legislative session.

- Review of MES' statutory charge.
- Board changes overview
- Policies to be adopted/readopted - conflict of interest, severance packages, bonus/performance improvement, tuition reimbursement, expense reimbursement, workforce diversity, whistleblower complaints, travel, and use of vehicles and equipment owned by MES. Management has been working on providing the new policies to the board subcommittees. First DEI plan will be linked to the five-year strategic plan.
- Board evaluation of executive director - will be evaluated on same topics as all employees, but additional criteria will be adopted by the board.
- Transparency - monthly expenses in excess of \$500 to be reported at each board meeting, Open Meetings Act compliance, open meetings are live streamed and posted on website, and meetings from past 5 years online.
- Procurement - approval of board for all non-emergency expenditures exceeding \$200k, BPW approval for contracts over \$250k if not with government entities
- Hiring and recruitment - hired Diversity and Equal Employment Opportunity Officer, and all positions not assigned to a specific project are required to undergo competitive hiring process
- Audits - independent assessment of board RFP received a single bid that was over the estimated cost, but the contract was readvertised and received 7 bids. Contract executed October 12th. In progress with specific audits on unauthorized spending, misallocated expenses, lack of conformity with state law or board policies, and other accounting errors.
- Questions
 - Ms. Syrylo - RSM is conducting an audit. Procedurally, have you received any feedback on why you only received one bid on the board audit?
 - Dr. Glass - RSM has a 5-year contract with MES to do their financial audit. We added expense audit to our contract last year, which is separate to board audit. Not uncommon to have to put out a second round of RFP, even for more routine contracts that MES does, such as dredging.

- Ms. Syrylo - was it the price issue with the board assessment? Why was there a low response at first?
 - Dr. Glass - we received 7 bids the second time, so we had an evaluation process to select the contract winner. If the state starts to do this on a more regular basis, more companies and potentially financial auditors will start to enter the space. We did a more robust search, and the board assisted since they were newly set up.
- Del. Korman - might want to centralize a board assessment process for smaller entities. Want to give a lot of credit to Dr. Glass and his team for working on reforms before bills were introduced, and MES reform legislation could serve as a model for other entities.
 - Chair Serafini mentions that we have the benefit of “Monday morning quarterbacking,” and we can work off of MES reform legislation and see where improvements can be made.
- Chair Serafini - thank you Dr. Glass for your work and presentation. It’s valuable to the commission to know what works and doesn’t work.

Approval of September meeting minutes. Motion by John Williams. Seconded by Bobbie James. Approved unanimously without discussion.

Discussion of potential recommendations/recap meetings

- Audit, led by Karen Syrylo
 - Recap of subcommittee meeting
 - Our use of the word “audit” has expanded to include non-financial items.
 - Require auditor to write a management letter, and perhaps have it sent beyond the agency leadership and board
 - Available on website and accessible to the public
 - Potentially creating position of inspector general
 - Some items could be added to current CPA contracts, but not all
 - In spite of OLA’s response, maybe they can start the process - need to find an entity to conduct these audits. Some not all of the agencies we looked at receive OLA audits.
 - Accountability and transparency - outline corrective actions, issues
 - Central repository/bulk contract to assist smaller entities.
 - Come up with list of requirements for internal controls that the auditor should audit and report on.
 - Questions/comments
 - John Williams - These suggestions may be overkill. Do not want to be burdensome on these agencies. It goes back to needing capable board members. OLA audits don’t always find the operational issues.

- Ms. Syrylo - how do we embody the concept of who the quasi-entity's board is accountable to? In the private sector, the board responds to the shareholders.
 - Mr. Williams - goes back to the quality of the board members.
 - Commissioner Birrane - different types of boards and agencies do different types of work. We can't make this one-size-fits-all. For example, MAIF is regulated by the MD Insurance Administration. While there are certain themes, there are different mechanisms to meet those requirements. Also consider that some of these entities do not all use public funds, but that does not mean that they do not need to be transparent and held accountable.
 - Chair Serafini - as a former legislator, if the legislature created these entities, they should be responsible for reviewing the entities. Legislature should be involved to an extent.
 - Del. Korman - both John and Karen are right. The problem is that we have a history of the right thing not working. We've had issues with entities, and we're coming up with ideas to avoid the game of whack-a-mole.
 - Del. Szeliga - Sunset and board reviews every 5 years is an idea, but need to think about if that is too long, too short.
 - Sen. Feldman - apologies for being late.
 - Chair Serafini - good to have these opposing views and conversations.
 - Chair Serafini - is it worth considering changing audit companies once in a while to ensure a company isn't getting "too comfortable," similar to board member rotation.
- Boards, led by Bobbie James
 - Recap of subcommittee meeting
 - Ensuring the high quality of the board to make sure appropriate professions and diverse experiences are included
 - Orientation and training for the board. MES appears to be doing this.
 - Ensure that the boards have the ability to have oversight over the agency. Not sure what that entails.
 - Board assessments/audits once every 5 years.
 - Packet of best management practices, so we don't overburden these agencies.
 - Questions/comments
 - Chair Serafini - Getting people to serve on the boards will be a point of emphasis.
- Governance and Accountability, led by John Williams
 - Recap of subcommittee meeting
 - Ability to use OAG or external counsel.

- Annual legislative budget hearing.
 - Much of the governance and accountability is tied up with the board and audit section.
 - Questions/comments
 - Del. Korman - legislative budget hearings
 - Del. Szeliga - agree with Del. Korman. The more transparent the better. We'll need to work with the smaller agencies on this since it can sometimes be a challenge.
 - Gen. Singh - should create criteria that the auditors need to meet prior to putting the bid out. Maybe have the bid advertised by Dept. of General Services. Boards need to be held more professionally. Need to be cautious in the way we do our recommendations.
- Compensation and Performance, led by Del. Korman
 - Recap of subcommittee meeting
 - Best practice recommendation - EDs serve on board only in ex officio capacity
 - Consider smaller board sizes to encourage better participation
 - Create career model - YMMV, easier with some agencies that have a private sector parallel
 - Policies were in place at MES and things still went wrong, but it needs to be applied equally among all employees including agency leadership
 - Severance claw-back -- how to define severance, golden parachutes?
 - Questions/comments
 - Bobbie - overall smaller boards, or make it dependent on the size of the agency
 - Del. Korman - overall smaller. Big boards allow for diffusion of responsibility
 - Chair Serafini - read a recent report that the ideal size may be 8-12? Previously reached out to SHRM.
 - Del. Korman - when it comes to tax dollars, there is some involvement for all entities at some level, especially when considering state and local tax dollars
 - John Williams - want to avoid prescribing a specific number of board members. In UMMS case, size is large but have a lot of subcommittees that do the heavy lifting. Difficult to have an audit committee if board only has a total of 6 members.
- General, led by Gen. Singh
 - Recap of subcommittee meeting
 - Big takeaway is use of strategic plan. Each organization should have one, and it should be reviewed annually. Strategic plan should incorporate all of

the elements we've looked at, which includes performance metrics and goals. Needs to cover all performance objectives and outcomes.

- How are we defining quasi-governmental organizations? Allow these organizations to leverage state organizations when they don't have the resources or size that would necessitate some of these elements. Don't want to reach too far.
- Questions/Comments
 - Chair Serafini - have to think about purpose-drift/mission-creep. Also need to work on developing more recommendations - we should throw everything at the wall.

General Comments and Concerns

- Sen. Feldman - have we looked at whistleblower protections or mechanisms?
 - Gen. Singh - we did in the sense that they can always go to the Ethics hotline. But every one of these agencies should have a hotline. Should go to someone outside of the organization so it doesn't get hidden.
 - Erin Chase, Staff - Del. Krimm bill requires the OLA fraud and waste hotline to be posted on nearly all state agency websites. Will look into if that applies to the quasi-governmental entities.

Next meeting is tentatively scheduled for Monday, November 22, 2021.

Motion to adjourn by Chair Serafini. Seconded by Sen. Feldman. Meeting adjourned at 11:31 AM.