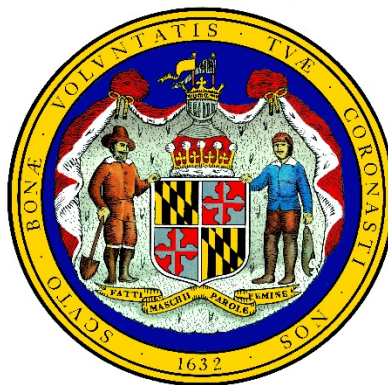


Audit Report

Maryland State Employees Supplemental Retirement Plans

September 2026



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

September 29, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland State Employees Supplemental Retirement Plans (MSRP) for the period beginning May 16, 2022 and ending April 30, 2026. MSRP is responsible for supervising and administering the State's voluntary tax sheltered income deferral plans for State employees and certain employees of local boards of education and municipalities.

Our audit disclosed that MSRP could not document that employee investment information was accurately migrated from its prior plan administrator's system to its new plan administrator's system. MSRP management advised us that verifications were done by both MSRP personnel and the new plan administrator. However, MSRP could not document its verification or that it reviewed the verification performed by the new plan administrator to ensure it was complete and accurate. In addition, MSRP did not verify the propriety of the fees charged by its new plan administrator, which according to the plan administrator's records, totaled \$1.3 million as of April 2026.

Our audit further disclosed that MSRP did not establish sufficient controls over disbursements made from the custodial bank account used for investment-related transactions, a condition noted but not corrected from our prior report. Finally, MSRP did not obtain support to verify the propriety of amounts invoiced by its accounting firm and could not readily justify an additional \$20,000 paid to the vendor in excess of the maximum provided for in the contract.

MSRP's response to this audit is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while MSRP generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree or appear to be inconsistent with a report finding and recommendation. In each instance we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within MSRP's response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with MSRP.

We wish to acknowledge the cooperation extended to us during the audit by MSRP.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Name Change and Agency Responsibilities

Chapter 616, Laws of Maryland 2025 effective July 1, 2025, changed the name of the Maryland Teachers and State Employees Supplemental Retirement Plans to the Maryland State Employees Supplemental Retirement Plans (MSRP). In accordance with State law, the MSRP is administered by a Board of Trustees consisting of nine members appointed by the Governor. The Board oversees the State's three tax sheltered income deferral plans for State employees and one matching contribution plan for certain participating employees. As noted in Figure 1, during fiscal year 2025 MSRP expenditures totaled approximately \$2.5 million. In accordance with State law, these expenses are paid from the contributions to the plans or from the income or assets of the plans.

Figure 1
MSRP Positions, Expenditures, and Funding Source

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	14
Vacant	0
Total	14
Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages & Fringe Benefits	\$1,899,962
Operating Expenses	584,435
Total	\$2,484,397
Fiscal Year 2025 Funding Source	
	Funding
Special Fund	\$2,484,397
Total	\$2,484,397

Source: State financial and personnel records

Financial Statement Audits

MSRP engaged an independent certified public accounting firm to perform audits of the plans' financial statements for calendar years 2022, 2023, and 2024.¹ In the related audit reports, the firm stated that these financial statements presented fairly, in all material respects, the respective net position of MSRP and the respective changes in its net position held in trust for deferred compensation benefits in accordance with accounting principles generally accepted in the United States of America.

The audited financial statements of the plans indicate that, during calendar year 2024, amounts deferred by employees participating in the Deferred Compensation Plan, the Tax Sheltered Annuity Plan, and the Savings and Investment Plan totaled approximately \$110.6 million, \$2.9 million, and \$112.5 million, respectively. The amount contributed by the State into the Match Plan and Trust totaled \$15 million. These financial statements further indicate that, as of December 31, 2024, the assets available for plan benefits for the Deferred Compensation Plan, the Tax Sheltered Annuity Plan, the Savings and Investment Plan, and the Match Plan and Trust totaled approximately \$5.9 billion (\$2.6 billion, \$128.8 million, \$2.9 billion, and \$282.2 million, respectively).

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated January 5, 2023. See Figure 2 for results of our review.

¹ In addition to the financial statement audits, the independent auditor performs agreed upon procedures related to the administration of the Plans and performs verifications of participant accounts.

Figure 2 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	MSRP did not establish sufficient controls over disbursements made from the bank account used to hold certain investments and process related transactions.	Repeated (Current Finding 3)
Finding 2	MSRP did not ensure payroll payments processed by the State's Central Payroll Bureau were consistent with the related MSRP time records and salary information maintained within the Statewide Personnel System.	Not Repeated

Findings and Recommendations

Plan Administration

Background

The Maryland State Employees Supplemental Retirement Plans (MSRP) contracted with a new vendor in August 2025 to provide plan administration, communication, enrollment, transaction processing, and recordkeeping services for its four defined contribution plans. The contract covered the period from August 2025 through August 2030, with one two-year renewal option through August 2032 and had a total contract price of \$28 million (including the optional renewal period).

Finding 1

MSRP could not document that employee investment information was accurately migrated from its prior plan administrator to its new administrator's system.

Analysis

MSRP could not document that employee investment information was accurately migrated from its prior plan administrator to its new administrator's system. Specifically, MSRP management advised us that verifications were done by both MSRP personnel and the new plan administrator. However, MSRP could not provide documentation of its verification or that it reviewed the plan administrator verification to ensure it was complete and accurate.

Both the prior and new plan administrator provided MSRP detailed listings of account information including balances in each of the 4 defined contribution plans. Our arbitrary test of 20 of the accounts from 2 of the plans (10 each) did not identify any discrepancies.

Recommendation 1

We recommend that MSRP conduct documented verifications that employee investment information was properly transferred into the plan administrator's system, and timely address any discrepancies identified.

Finding 2

MSRP did not verify the propriety of fees charged by its new plan administrator.

Analysis

MSRP did not verify the propriety of fees charged by its new plan administrator. The plan administrator is paid through asset-based fees which it calculates and withdraws directly from the plans' investment accounts on a monthly basis.² According to plan administrator records, as of April 2026 the new plan administrator withdrew \$1.3 million in fees.

Our review disclosed that MSRP did not verify that the fees calculated and withdrawn by the new plan administrator were calculated properly and in accordance with the contract. We were advised by MSRP management that as of June 2026, it was working with the plan administrator to obtain documents and information to perform its verification of the asset-based fee calculation. Our review of the fee calculations for the eight months from September 2025 through April 2026³ did not identify any inaccuracies.

Recommendation 2

We recommend that MSRP verify the propriety of the plan administrator's fees to ensure they were calculated correctly and in accordance with the contract.

Custodial Bank Account**Finding 3**

MSRP did not establish sufficient controls over disbursements made from the custodial bank account used for investment-related transactions.

Analysis

MSRP did not establish sufficient controls over disbursements made from the custodial bank account used for investment-related transactions. MSRP maintains a custodial bank account that can be accessed by authorized MSRP personnel and third-party investment managers to make disbursements, such as purchasing investments. According to bank records, the market value of the account,

² According to MSRP's contract with the plan administrator, MSRP may dispute the plan administrator's asset-based fee within 5 days of being invoiced.

³ We obtained and reviewed all the new plan administrator's asset-based calculations from when the new plan administrator became responsible for the plans (September 2025) through April 2026.

(investments and cash), totaled \$764.3 million as of December 31, 2025 and during calendar year 2025, there were 325 disbursements totaling \$70.6 million.

- Two MSRP employees had the ability to direct the bank to make disbursements without independent review and approval. These employees also had the ability to modify bank access, such as granting authority to make disbursement requests. According to bank records, these MSRP employees did not process any transactions during the audit period.
- MSRP did not verify the propriety of disbursements directed by investment managers who routinely used the account to purchase and redeem investments. MSRP management advised us that it did not perform a review of these disbursements since it relied on the investment managers to perform their fiduciary duty.

As a result of these conditions, improper disbursements could be made from the bank account without timely detection. Similar conditions regarding insufficient controls over disbursements made from the custodial bank account were noted in our prior audit report. In response to that report, MSRP indicated that by October 2022 it would strengthen internal controls and ensure that banking transactions were monitored. MSRP could not explain why the recommendations were not fully implemented.

Recommendation 3

We recommend that MSRP

- a. use available bank records to ensure that all disbursements are subject to independent review and approval, at least on a test basis (repeat); and**
- b. remove the ability to modify bank access from employees that can process transactions (repeat).**

Audit Services

Finding 4

MSRP did not obtain support to verify the propriety of amounts invoiced by its accounting firm and could not readily justify an additional \$20,000 paid to the firm for services that were not included in the scope of the contract.

Analysis

MSRP did not obtain support to verify the propriety of amounts invoiced by its accounting firm and could not readily justify an additional \$20,000 paid to the firm for services that were not included in the scope of the contract. MSRP

contracted with a public accounting firm in March 2021 for an amount not to exceed \$305,970 to audit the four MSRP investment plans for the five-year period ending August 2025. According to State records, payments to the firm totaled \$265,695 during our audit period.

Our review disclosed that MSRP did not obtain required supporting documents (such as timesheets) to verify the propriety of amounts invoiced. The contract with the firm provided that invoices shall include the employee timesheets or electronic timekeeping records certified by the firm for actual time worked. Without this documentation, there is a lack of assurance that amounts invoiced and paid to the firm were proper.

In addition, our review disclosed that as of April 30, 2026, MSRP had paid the accounting firm a total of \$325,960 (\$20,000 more than the maximum allowed by the contract). MSRP could not readily document the reason for the excess payments but indicated that approximately \$10,000 of the payments related to additional work outside the scope of the contract. In this regard, MSRP had consulted with the Department of General Services on how to process these additional payments and was advised to create a new purchase order, but instead MSRP charged these costs to the existing contract.

Recommendation 4

We recommend that MSRP

- a. obtain supporting documentation to verify the propriety of billings, as required in the contract;**
- b. ensure that contract costs do not exceed the established maximum; and**
- c. limit payments to activities that are within the scope of the contract.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland State Employees Supplemental Retirement Plans (MSRP) for the period beginning May 16, 2022 and ending April 30, 2026. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MSRP's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included plan administration, purchasing and disbursements, and payroll. We also determined the status of the findings contained in our preceding audit report.

MSRP engaged an independent certified public accounting firm to perform audits of the plans' financial statements for calendar years 2022, 2023, and 2024. In the related audit reports, the firm stated that these financial statements presented fairly, in all material respects, the respective net position of MSRP and the changes in its net position held in trust for deferred compensation benefits in accordance with accounting principles generally accepted in the United States of America. This independent certified public accounting firm also performed certain agreed upon procedures to assist in evaluating the administration of the plans for calendar years 2022 through 2024. In the related agreed upon procedures reports, no findings were identified by the firm for the procedures performed. We have relied on the work of the independent accounting firm to provide audit coverage of certain aspects of MSRP's operations (contributions from participating employees, asset fee collections, benefits paid). Our audit procedures in these areas were generally limited, therefore, to obtaining a sufficient basis for that reliance.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit

period of May 16, 2022 to April 30, 2026, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MSRP's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in the finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from the Statewide Personnel System (SPS) for the purpose of evaluating certain payroll data. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MSRP's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MSRP, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MSRP's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MSRP that did not warrant inclusion in this report.

MSRP's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MSRP regarding the results of our review of its response.

APPENDIX

Ronda Butler Bell, MPA
Executive Director & Board Secretary

Nakeia C. Smith
*Deputy Executive Director
& Chief Financial Officer*

Tonya M. Toler, CRC®, CPM
Director of Member Services



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September 23, 2026

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Dear Mr. Tanen:

Attached is the Maryland State Employees Supplemental Retirement Plans (MSRP) response to the Office of Legislative Audits (OLA) fiscal compliance audit report of MSRP for the period beginning May 16, 2022 and ending April 30, 2026.

We appreciate the time and attention afforded to MSRP by the OLA auditors and the professional manner in which they conducted this audit.

Very truly yours,

Ronda Butler Bell
Executive Director & Board Secretary

Attachment

cc: The Honorable T. Eloise Foster, Chair, MSRP Board of Trustees
Nakeia C. Smith, Deputy Executive Director & Chief Financial Officer

Maryland State Employees Supplemental Retirement Plans

Agency Response Form

Plan Administration

Finding 1

MSRP could not document that employee investment information was accurately migrated from its prior plan administrator to its new administrator's system.

We recommend that MSRP conduct documented verifications that employee investment information was properly transferred into the plan administrator's system, and timely address any discrepancies identified.

Agency Response	
Analysis	PARTIALLY FACTUALLY ACCURATE
Please provide additional comments as deemed necessary.	During the transition to the new plan administrator contractor, completing reviews and testing to ensure the successful migration of all employee investment information was a required task to be performed by the incoming plan administrator contractor. In accordance with this requirement, the incoming plan administrator contractor provided MSRP management with email updates of migration progress which included confirmation of successful transfer of employee account and investment information. Additionally, MSRP exercised due diligence by requesting, reviewing, and internally reconciling the deconversion files received from the prior plan administrator contractor with the conversion files received from the successor plan administrator contractor. MSRP is concerned with the auditor's phrasing, which suggests both a lack of verification regarding the accurate migration of employee investment information to the new plan administrator contractor's system and an absence of supporting documentation confirming a successful migration. In fact, MSRP provided the auditors with the deconversion and conversion files -containing multiple layers of employee account detail- along with written email confirmations of successful migration. MSRP also provided an explanation of the methodology used to reconcile the employee balance transfers, <i>which reconciled to the penny. No discrepancies were identified by the plan administrator contractors, MSRP, or the auditors.</i>

Maryland State Employees Supplemental Retirement Plans

Agency Response Form

Recommendation 1	Partially Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	As noted above, the accuracy and completeness of the MSRP employee account file migration was verified and confirmed, to the penny, by MSRP as well as the prior and successor plan administrator contractors. This plan administrator contractor transition was unprecedented, representing the first in MSRP history. While MSRP disagrees with this finding and deems its employee account migration documentation review and verification process sufficient, the auditor's recommendation is understood, and MSRP recognizes that more comprehensive documentation could have been retained for the verifications it conducted. Therefore, going forward, each time MSRP undergoes a subsequent plan administrator contractor transition: The Deputy Executive Director & CFO will review and reconcile the employee account deconversion and conversion files, review the confirmation emails from the incoming plan administrator contractor that confirm successful migration of employee account information, and create a verification record. This verification record will include confirmation dates, the Deputy Executive Director & CFO signature(s), and the signature(s) of the Executive Director, providing documentary evidence of the review of the prior and successor plan administrator contractors' actions and the reconciliation of the employee account files. MSRP will retain this verification record alongside the deconversion and conversion files.		

Auditor's Comment: MSRP notes that our analysis is partially factually accurate, however, the ensuing comments do not dispute the factual accuracy of the finding. Specifically, MSRP's response notes that it provided OLA with the deconversion and conversion files along with email confirmations of successful migration. However, as noted in the analysis, MSRP could not provide documentation of its verification of the aforementioned files or that it reviewed the plan administrator's verification. MSRP's response acknowledges this when it subsequently noted that more comprehensive documentation could have been retained for the verifications it conducted. Accordingly, we continue to believe our finding is factually accurate based on the information MSRP was able to provide during and subsequent to our fieldwork.

Maryland State Employees Supplemental Retirement Plans

Agency Response Form

Finding 2

MSRP did not verify the propriety of fees charged by its new plan administrator.

We recommend that MSRP verify the propriety of the plan administrator's fees to ensure they were calculated correctly and in accordance with the contract.

Agency Response			
Analysis	PARTIALLY FACTUALLY ACCURATE		
Please provide additional comments as deemed necessary.	While MSRP acknowledges that its review to verify the propriety of fees charged by the new plan administrator contractor <i>was not fully finalized</i> during the audit fieldwork, the auditors' phrasing misleadingly suggests that no verification efforts were undertaken. Furthermore, the auditors' reference to "as of June 2026" could easily misinform readers by implying that MSRP took no prior verification action. In line with its long-standing asset fee verification process, MSRP was actively engaged in reviewing the fees of the new plan administrator contractor, who assumed the services contract in September 2025. <i>MSRP initiated this fee review in October 2025, just one month following the initial deduction of the plan administrator contractor asset fees.</i> This ongoing fee verification effort demonstrates active MSRP oversight; however, completion of the fee verification process was delayed due to external circumstances (detailed below) that were completely beyond the control of MSRP.		
Recommendation 2	Partially Agree	Completion Date:	Complete - 8/13/2026
Please provide details of corrective action or explain disagreement.	MSRP disagrees with the auditors' characterization of MSRP's efforts, which (as noted above) insinuates that MSRP did not take any action to verify plan administrator contractor fees prior to June 2026. MSRP was not awaiting documentation so that it could begin to perform its plan administrator contractor fee verification. Rather, MSRP had been in the process of performing its plan administrator contractor fee verification 30 days after the implementation of the new plan administrator contract (<i>i.e.</i>, October 2025). The plan administrator contractor fee verification process could not be completed based solely on the information initially provided.		

Maryland State Employees Supplemental Retirement Plans

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	MSRP's fee reconciliation methodology employs a comprehensive, two-step approach. Because this was the initial fee verification conducted with the new plan administrator contractor, implementing the fee verification process presented unique challenges and required additional time. The plan administrator contractor has acknowledged that their staff have made some initial reporting errors and have corrected these errors. On August 13, 2026, MSRP completed its plan administrator contractor fee reconciliation process for reports received through April 2026, which was the period cited in the auditors' analysis. Fee reconciliations and reviews to verify the propriety of the plan administrator contractor's fees to ensure they were calculated correctly and in accordance with the contract have been performed timely; MSRP is up-to-date with the reviews of all fees through August 2026. Going forward, MSRP will continue to conduct monthly reviews to verify that the plan administrator contractor's fees are accurate and comply with contract terms. These reviews will be documented, and all corresponding records will be retained for future reference.
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Auditor's Comment: MSRP notes that our analysis is partially factually accurate, however, the ensuing comments do not dispute the factual accuracy of the finding. Specifically, MSRP asserts that it had started the monthly plan administrator fee verification process but acknowledges that it did not complete these verifications until August 2026 due to various circumstances. Accordingly, we continue to believe our finding is factually accurate based on the information MSRP was able to provide during and subsequent to our fieldwork.

Maryland State Employees Supplemental Retirement Plans

Agency Response Form

Custodial Bank Account

Finding 3

MSRP did not establish sufficient controls over disbursements made from the custodial bank account used for investment-related transactions.

We recommend that MSRP

- a. use available bank records to ensure that all disbursements are subject to independent review and approval, at least on a test basis (repeat); and**
- b. remove the ability to modify bank access from employees that can process transactions (repeat).**

Agency Response	
Analysis	PARTIALLY FACTUALLY ACCURATE
Please provide additional comments as deemed necessary.	The statement made in the auditors' analysis that "Two MSRP employees had the ability to direct the bank to make disbursements without independent review and approval" is significantly misleading. At no time during the audit period did MSRP employees have the system access or permissions necessary to initiate disbursements from the custodial bank account. MSRP is required to approve and direct payment of the custody and manager fees in the custodial bank account; however, this approval "to make this disbursement" requires two signatures, per MSRP policy. Even with its internal policy in place, MSRP does acknowledge that the custodial bank only required one of the two MSRP employees to provide written approval to the custodial bank. Custody and manager fees are the only disbursements MSRP directs the bank to make, as the bank requires MSRP's approval to pay these fees. The custodial bank must have already entered a payee's account information into its system before disbursements can be directed by MSRP. MSRP does not have the ability to go into the custodial banking system and add payee or bank account information. Thus, this limitation serves as an additional mitigating control to ensure that no improper disbursements are made from MSRP's custodial bank account. The representation made by the auditors in the analysis that MSRP did not verify the propriety of disbursements directed by the investment managers is not accurate. MSRP receives monthly and quarterly reports, from both the investment managers and the custodial bank, that detail all custodial bank account transactions. These reports are reviewed by MSRP regularly for discrepancies and anomalies. Additionally, MSRP

Maryland State Employees Supplemental Retirement Plans

Agency Response Form

	has read-only permission to login to the custodial bank account in real time and run reports at any time. These controls help to ensure improper disbursements are not made from the custodial bank account.		
Recommendation 3a	Disagree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	As noted above, MSRP has an established practice of reviewing all monthly and quarterly reports (from both the investment managers and the custodial bank) that show the details of all transactions made in the custodial bank account. The Deputy Executive Director & CFO and the Executive Director review and authorize the investment managers' custody and management fee transactions by reviewing and signing an authorization document that is faxed to the custodial bank. These transactions cannot be performed without the custodial bank's receipt of the MSRP written authorization. Per the Annotated Code of Maryland citation provided below, fiduciaries have broad latitude and discretion. The investment managers have been designated by the MSRP Board of Trustees as Plan fiduciaries, per the Investment Manager Agreement with the Board, and provide an internally-validated report of all MSRP transactions to the Deputy Executive Director and CFO. The investment manager for the stable value fund is subject to Section 5.2, "Fiduciary Status," of its Investment Manager Agreement with the MSRP Board of Trustees, which requires: <i>"The Manager acknowledges that it has been designated to serve as a fiduciary of the Plans pursuant to Section 35-301 of the State Personnel and Pensions Article of the Annotated Code of Maryland ("SPP") with respect to the services it will provide under this Agreement, and is subject to the standards of care set forth in SPP § 21-203 with respect to the Plans and in regard to the services that it will provide under this Agreement in respect to the Account."</i> The fiduciary role, per SPP § 35–301, is as follows: <i>(a) In this section, "fiduciary" means a person with discretionary authority or control over:</i> <i>(1) the management or administration of any of the supplemental retirement plans; or</i> <i>(2) the management or disposition of the assets of any of the supplemental retirement plans.</i> SPP § 21–204 sets forth the following:		

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	(b) The Board of Trustees may: (1) allocate the responsibilities of the fiduciaries among the fiduciaries; and (2) designate any other person to carry out the responsibilities of a fiduciary. <i>(c) (1) If the Board of Trustees makes an allocation or designation to a person under subsection (b) of this section, the Board of Trustees is not liable for an act or omission of that person in carrying out the responsibility, except to the extent that the Board of Trustees violates § 21-203 of this subtitle with respect to:</i> (i) the allocation or designation; (ii) the establishment or implementation of a procedure to allocate or designate; or (iii) the continuance or review of the allocation or designation.		
Recommendation 3b	Partially Agree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	MSRP employees have never processed disbursements or any other transactions in the custodial banking system. Additionally, the custodial bank has confirmed in writing that <i>MSRP employees did not have system access/permissions to perform disbursements or transactions in the system but had read-only access to view the accounts and run reports.</i> A system report and written confirmation of MSRP's limited access/permissions issued by the custodial bank were provided to the auditors and confirm this fact. The Executive Director and Deputy Executive Director/CFO (who is the back-up and designated successor to the Executive Director), do not have the ability to initiate disbursements in the custodial banking system, as noted above. These two individuals do have read-only access to the custodial bank account information and the ability to provide (written) approval of user access to the custodial banking system. This limited access is needed to perform the oversight review of transactions made through the custodial bank account, as well as to grant appropriate access to MSRP's investment manager team. As noted above and required by the bank, MSRP employees do approve and direct payment of the custody and manager fees in the custodial bank account. MSRP policy requires two signatures for such approval (although the custodial bank will accept written approval from only one MSRP representative, as acknowledged above). MSRP's internal policy		

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	serves as a mitigating control to ensure that no improper disbursements are made by MSRP employees. Additionally, this matter is now moot. The custodial bank account is in the process of being closed, and the specific date of closure is pending. The plan administrator contractor now remits custodial fees directly to the investment manager at the written direction of the MSRP Board of Trustees.
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Auditor's Comment: MSRP notes that our analysis is partially factually accurate, however, the ensuing comments either do not dispute the factual accuracy of the finding or could not be supported. Specifically, while the employees do not have system access, as noted in the analysis, they do have the ability to direct the bank to make a disbursement. MSRP acknowledged that the custodial bank only required one of the two MSRP employees to provide written approval to the custodial bank to process transactions, which is consistent with the first bullet of our analysis.

MSRP further notes that it reviewed monthly and quarterly reports that detailed all custodial bank account transactions. However, MSRP could not provide documentation of these reviews despite our numerous requests. Accordingly, we continue to believe our finding is factually accurate based on the information MSRP was able to provide during and subsequent to our fieldwork.

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Audit Services

Finding 4

MSRP did not obtain support to verify the propriety of amounts invoiced by its accounting firm and could not readily justify an additional \$20,000 paid to the firm for services that were not included in the scope of the contract.

We recommend that MSRP

- obtain supporting documentation to verify the propriety of billings, as required in the contract;
- ensure that contract costs do not exceed the established maximum; and
- limit payments to activities that are within the scope of the contract.

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Analysis	FACTUALLY ACCURATE		
Please provide additional comments as deemed necessary.	The former MSRP employee who served as procurement officer for the audit services task order agreement made the independent decision to exceed the maximum audit services task order agreement cost without consulting the Executive Director. The former MSRP employee who served as task order agreement monitor did not request the appropriate documentation from the accounting firm and did not ensure that the payments that the former MSRP employee approved were for services within the scope of the task order agreement.		
Recommendation 4a	Agree	Estimated Completion Date:	7/15/2026
Please provide details of corrective action or explain disagreement.	MSRP has procured a new audit firm with a task order agreement under the State's Master Contract for Audit Services. The task order agreement monitor (Deputy Executive Director & CFO) and the agency Finance Team will ensure that all audit services invoices are accompanied by the required supporting documentation <i>prior to being processed</i> , and that this supporting documentation is retained with each paid invoice.		
Recommendation 4b	Agree	Estimated Completion Date:	Complete - 7/15/2026
Please provide details of corrective action or explain disagreement.	The task order agreement monitor and the agency Finance Team will closely monitor all invoices and expenditures and will ensure that all task order agreement costs are documented, supported, and within the parameters of the total task order agreement cost.		
Recommendation 4c	Agree	Estimated Completion Date:	Complete - 7/15/2026

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Please provide details of corrective action or explain disagreement.	The task order agreement monitor will ensure that no payments are approved for any activities listed on accounting firm invoices that fall outside of the scope of the task order agreement.
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AUDIT TEAM

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