

Maryland Environmental Service

Uniform Guidance
Compliance Report
For the Fiscal Year Ended June 30, 2023

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RSM US LLP

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Maryland Environmental Service

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of each major fund and the fiduciary activities of the Maryland Environmental Service (the Service), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Service's basic financial statements, and have issued our report thereon dated December 22, 2023. Our report contains an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Agreements*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Service's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Gaithersburg, Maryland
December 22, 2023

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Maryland Environmental Service

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Maryland Environmental Service's (the Service), a component unit of the State of Maryland, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Service's major federal program for the year ended June 30, 2023. The Service's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Service complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Service and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Service's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Service's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Service's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Service's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Service's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Service's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Service as of and for the year ended June 30, 2023, and have issued our report thereon dated December 22, 2023, and the related notes to the financial statements, which collectively comprise the Service's basic financial statements. We issued our report thereon, dated December 22, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Gaithersburg, Maryland

January 22, 2024, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 22, 2023

**Maryland Environmental Service
(a component unit of the State of Maryland)**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Environmental Protection Agency				
Direct award:				
National Clean Diesel Emission Reduction Program	66.039	96364201, 96371001, 96389601	\$ -	\$ 451,260
Pass-through:				
Maryland Department of Environment State and Tribal Response Program Grants	66.817	2-18-3-53	-	41,740
Maryland Department of Natural Resources Chesapeake Bay Program	66.466	2-23-3-06	-	60,281
Maryland Department of Environment Chesapeake Bay Implementation Regulatory/ Accountability and Monitoring Grants	66.964	2-18-3-53	-	93,595
Maryland Department of Natural Resources Chesapeake Bay Implementation Regulatory/ Accountability and Monitoring Grants	66.964	2-23-3-06	-	4,146
Total 66.964 funds			-	97,741
Total U.S. Environmental Protection Agency			-	651,022
U.S. Department of Interior				
Pass-through:				
Maryland Department of Environment Abandoned Mine Land Reclamation (AMLR) Program	15.252	2-18-3-57	-	58,662
Total U.S. Department of Interior			-	58,662
U.S. Department of Commerce: National Oceanic and Atmospheric Association				
Pass-through:				
Maryland Department of Natural Resources Coastal Zone Management Administration Awards	11.419	n/a	-	131,621
Total U.S. Department of Commerce			-	131,621
U.S. Department of Homeland Security				
Pass-through:				
Maryland Department of Environment Cooperating Technical Partners	97.045	2-18-3-57	-	45,331
Maryland Department of Emergency Management Pre-Disaster Mitigation	97.047	2-22-3-17	-	2,874
Hazard Mitigation Grant	97.039	2-22-3-17	-	912,559
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2-22-3-17	-	83,573
			-	999,006
City of Laurel Flood Mitigation Assistance	97.029	2-20-3-09	-	33,155
Total U.S. Department of Homeland Security			-	1,077,492
Total expenditures of federal awards			\$ -	\$ 1,918,797

The accompanying notes are an integral part of this schedule.

**Maryland Environmental Service
(a component unit of the State of Maryland)**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Maryland Environmental Service (the Service) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Service, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Service.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Service has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Maryland Environmental Service
(a component unit of the State of Maryland)**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I. Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

Federal Assistant
Listing Number

97.039

Name of Federal Program or Cluster

Hazard Mitigation Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

**Maryland Environmental Service
(a component unit of the State of Maryland)**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Section II. Financial Statements Findings

A. Internal Control over Financial Reporting

No matters to report.

B. Compliance Findings

No matters to report.

Section III. Findings and Questioned Costs for Federal Awards

A. Internal Control over Compliance

No matters to report.

B. Compliance Findings and Other Matters

No matters to report.