

Special Report

**Review of Annual Reports
Submitted by Recipients of Arts and Sciences Grants**

Fiscal Year Ended June 30, 2020



Office of the County Auditor
Baltimore County, Maryland



BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

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October 18, 2021

Honorable Members of the County Council
Honorable John A. Olszewski, Jr., County Executive
Baltimore County, Maryland

In accordance with Section 10-1-108(b)(3) of the Baltimore County Code, we have reviewed the annual audits submitted by organizations that received County grant funds for arts, sciences, and cultural enrichment in excess of \$10,000 during the fiscal year ended June 30, 2020. This Code section requires that each such organization submit an annual audit prepared by a certified public accountant and an affidavit signed by an authorized representative affirming that the organization complied with the grant requirements and expended grant funds on prescribed activities and not on prohibited activities (e.g., lobbying) specified in the grant agreement.

The FY 2020 grant agreement between the County and each recipient organization required that the annual audit be submitted within 180 days of the completion of the organization's fiscal year and the signed affidavit be submitted by September 10, 2020. For FY 2020, the County disbursed a total of \$3,002,000 to 26 organizations that received arts and sciences grants in excess of \$10,000.

Our review disclosed that 4 organizations did not submit the required annual audits and 9 organizations submitted audits 9 to 226 days after the 180-day reporting deadline. Our review also disclosed that 1 organization submitted its signed affidavit 11 days after the September 10, 2020 deadline.

A response to our findings from the Department of Economic and Workforce Development is included as Appendix A to this report.

We wish to express our appreciation to the Department's staff for the cooperation and assistance they extended to us during our review.

Our reports and responses thereto are available to the public and may be obtained online at "www.baltimorecountymd.gov/agencies/auditor" or by contacting the Office of the County Auditor, 400 Washington Avenue, Towson, Maryland 21204.

Respectfully submitted,

A handwritten signature in black ink that reads "Lauren M. Smelkinson". The signature is written in a cursive style.

Lauren M. Smelkinson, CPA
County Auditor

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Background Information and Purpose of Review

Each year the County provides grant funds to various organizations for the purpose of developing, coordinating, and promoting the arts and sciences. The Commission on Arts and Sciences is responsible for recommending to the County Executive the organizations to fund and the respective grant amounts. The County Executive considers the Commission's recommendations and determines the amount of grant funds for each organization to be included in the proposed operating program budget, which is submitted to the County Council for approval. In addition to this program budget approval, individual arts and sciences grants in excess of \$5,000 are subject to Council approval when awarded.

The Baltimore County Code, Section 10-1-108(b)(3), requires recipients of County grant funds for arts, sciences, and cultural enrichment in excess of \$10,000 per fiscal year to submit 1) an annual audit prepared by a certified public accountant and 2) an affidavit from an authorized representative affirming that the recipient organization complied with the grant requirements and expended grant funds on prescribed activities and not on prohibited activities (e.g., lobbying) specified in the grant agreement. Further, the Code provides that the audits shall be submitted to the County Auditor for review.

In addition, the FY 2020 grant agreement between the County and the grantee required that the annual audit be submitted within 180 days of the completion of the organization's fiscal year and the signed affidavit be submitted by September 10, 2020. For the fiscal year ended June 30, 2020, 26 organizations received County arts and sciences grants in excess of \$10,000; grant funds awarded to the organizations totaled \$3,002,000.

The purpose of our review was to determine whether the organizations that received County arts and sciences grants in excess of \$10,000 during the fiscal year ended June 30, 2020 complied with the aforementioned reporting requirements. Our review also included reviewing each organization's audit for disclosure raising substantial doubt about its ability to continue as a going concern for a reasonable period of time.

Findings and Recommendations

1. **Of the 26 organizations that received FY 2020 County grant funds in excess of \$10,000, 4 did not submit the required annual audit, 9 submitted annual audits after the 180-day reporting deadline, and 1 submitted the signed affidavit after the September 10, 2020 deadline.**

The Baltimore County Code, Section 10-1-108(b)(3), requires recipients of County arts and sciences grant funds in excess of \$10,000 per fiscal year to submit an annual audit prepared by a certified public accountant and an affidavit signed by an authorized representative of the recipient organization, which affirms compliance with the grant requirements. The FY 2020 grant agreement between the County and each recipient organization further required that the annual audit be submitted within 180 days of the completion of the organization's fiscal year and the signed affidavit be submitted by September 10, 2020.

Our review disclosed that of the 26 organizations that received FY 2020 County grant funds in excess of \$10,000, 4 organizations (received a total of \$87,000 in grant funds) did not submit the required annual audits within 180 days of the completion of their fiscal year (or by the end of our review on August 20, 2021), and 9 organizations (received a total of \$785,000 in grant funds) submitted their annual audits 9 to 226 days after the 180-day reporting deadline. Our review also disclosed that 1 organization (received \$25,000 in grant funds) submitted its signed affidavit 11 days after the September 10, 2020 deadline.

We recommend that the Administration require grant recipients to comply with the annual audit and affidavit reporting deadlines established within the grant agreement. We also recommend that the Administration withhold future grant funding until after the outstanding annual audits are submitted and reviewed.

APPENDIX A

AGENCY RESPONSE



MEMORANDUM

TO: Lauren M. Smelkinson
Scott W. Mitchell

FROM: Leonard Howie, Director
Department of Economic and Workforce Development

RE: Arts & Sciences Final Report FY2020

DATE: October 18, 2021

Thank you for the opportunity to respond to the issues identified by the Office of the Auditor during the course of performing the review of annual reports submitted by recipients of arts and sciences grants for FY2020.

We appreciate your recommendations and thank you for your efforts and assistance during this review.

Enclosure

cc: Stacy L. Rodgers
Ed Blades
Matt Carpenter
Angelique Pefinis-Newport
Helene Luce

**Arts & Sciences Grants Final Report FY2020
Department Response**

Finding 1:

Of the 26 organizations that received FY 2020 County grant funds in excess of \$10,000, 4 did not submit the required annual audit, 9 submitted annual audits after the 180-day reporting deadline, and 1 submitted the signed affidavit after the September 10, 2020 deadline.

Recommendation:

We recommend that the Administration require grant recipients to comply with the annual audit and affidavit reporting deadlines established within the grant agreement. We also recommend that the Administration withhold future grant funding until after the outstanding annual audits are submitted and reviewed.

Agency Response:

FY2021 was the first year the Department of Economic and Workforce Development (“DEWD”) has managed the Arts and Sciences grant program from beginning to end. As such, DEWD continues to improve processes for more effective management of the portfolio, including the responsibility for collecting the prior year’s financial statements. DEWD has instituted a process to notify grantees that financials are due and to continue periodic notification until the statements are received. In addition, DEWD has acknowledged the challenges many arts organizations face to get audited financial statements in a timely manner, so DEWD has changed the time frame for receipt of audited financial statements from 180 days to 240 days for the FY2022 grants.

To reinforce this grant requirement, language has been added to the FY2022 grant agreement which states grantees will not receive current year’s funding if any financial statements from prior grant years have not been received.

In addition, since August 20, 2021 (the date of the end of fieldwork for this review), DEWD has received 2 of the 4 outstanding audits and that FY 2022 grant funding for the other 2 organizations has been delayed until the FY 2020 audits are received.

PROJECT TEAM

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