

Special Report

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

Fiscal Year Ended June 30, 2021



Office of the County Auditor
Baltimore County, Maryland



BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

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November 30, 2022

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, 2021. 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 2021 grant agreement between the County and each grantee required that the annual audit be submitted within 240 days of the completion of the organization's fiscal year and the signed affidavit be submitted by September 1, 2021. For FY 2021, the County disbursed a total of \$2,321,500 to 27 organizations that received arts and sciences grants in excess of \$10,000.

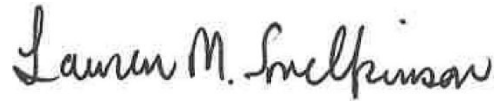
Our review disclosed that 9 organizations did not submit the required annual audits, 2 organizations submitted audits 3 days after the 240-day reporting deadline, and 15 organizations did not fully comply with the affidavit requirements (e.g., affidavit was submitted after the September 1, 2021 deadline, affidavit referenced the wrong grant period). Our review also disclosed that FY 2021 grant funds were disbursed to 2 organizations that had not submitted the required annual audits with its grant application. Additionally, our review disclosed that FY 2021 grant funds were disbursed to 2 organizations at amounts greater than the County Council had approved.

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"](http://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 with a large initial 'L'.

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 2021 grant agreement between the County and each grantee required that the annual audit be submitted within 240 days of the completion of the organization's fiscal year and the signed affidavit be submitted by September 1, 2021. For the fiscal year ended June 30, 2021, 27 organizations each received a County arts and sciences grant in excess of \$10,000; grant funds awarded to the organizations totaled \$2,321,500.

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, 2021 complied with the aforementioned reporting requirements. We also reviewed each submitted audit (e.g., unmodified opinion, going concern disclosure). Additionally, we determined whether the Department complied with grant disbursement requirements.

Findings and Recommendations

1. **Of the 27 organizations that received FY 2021 County grant funds in excess of \$10,000, 9 did not submit the required annual audit, 2 submitted annual audits after the 240-day reporting deadline, and 15 did not fully comply with the affidavit requirements.**

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 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 2021 grant agreement between the County and each recipient organization further required that the annual audit be submitted within 240 days of the completion of the organization's fiscal year and the signed affidavit be submitted by September 1, 2021.

Our review disclosed that of the 27 organizations that received FY 2021 County grant funds in excess of \$10,000, 9 organizations (received a total of \$347,500 in grant funds) did not submit the required annual audits within 240 days of the completion of their fiscal year (or by the end of our review on September 20, 2022), and 2 organizations (received a total of \$70,000 in grant funds) submitted their annual audits 3 days after the 240-day reporting deadline. Our review also disclosed that 15 organizations did not fully comply with the affidavit requirements. Specifically, 13 organizations (received a total of \$843,000 in grant funds) did not properly affirm compliance with the FY 2021 grant agreement (e.g., referenced wrong grant period), including 2 organizations (received a total of \$31,500) that also submitted their signed affidavits after the September 1, 2021 deadline (1 and 9 days late), and 1 organization (received a total of \$25,000) that also submitted an unsigned affidavit; and 2 organizations (received a total of \$55,000) that submitted their signed affidavits after the September 1, 2021 deadline (3 and 16 days late).

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 and affidavits are submitted and reviewed.

2. FY 2021 grant funds were disbursed to 2 organizations that had not submitted the required annual audit with the grant application.

An organization that applies for more than \$10,000 in County arts and sciences grant funds is required to submit (with its grant application) an annual audit for its most recently completed fiscal year (the FY 2018 annual audit was required with the FY 2021 grant application). Further, the Department's policy prohibits the disbursement of the grant funds to an organization that had not submitted the required annual audit with its grant application. Our review disclosed that the Department disbursed FY 2021 County arts and sciences grant funds totaling \$55,000 to 2 organizations (\$40,000 and \$15,000, respectively) that had not submitted the required annual audit.

We recommend that the Department comply with the requirements of its grant distribution policy for future grant funding.

3. FY 2021 grant funds were disbursed to 2 organizations at amounts greater than the County Council had approved.

In accordance with Baltimore County Code, Section 10-1-108(b)(2), individual arts and sciences grants in excess of \$5,000 require County Council approval when awarded. Our review disclosed that the County Council approved (MB-4 on the September 8, 2020 Legislative agenda) FY 2021 arts and sciences grants to 2 organizations totaling \$30,000 (\$20,000 and \$10,000, respectively); however, these 2 organizations received grants totaling \$70,000 (\$40,000 and \$30,000, respectively).

We recommend that the Department comply with the County Code and disburse future grant funding at amounts that do not exceed amounts approved by the County Council.

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 FY2021

DATE: November 21, 2022

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 FY2021.

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

**Arts & Sciences Grants Final Report FY2021
Department Response**

Finding 1:

Of the 27 organizations that received FY 2021 County grant funds in excess of \$10,000, 9 did not submit the required annual audit, 2 submitted annual audits after the 240-day reporting deadline, and 15 did not fully comply with the affidavit requirements.

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 and affidavits are submitted and reviewed.

Agency Response:

The grant process for the Arts and Sciences span over 3 fiscal years: the year the applications are due, the year the grants are disbursed, and the year the annual audits and affidavits are due. FY2021 was the first year the Department of Economic and Workforce Development (“DEWD”) managed the Arts and Sciences grant program from beginning to end, and we continue to improve processes for more effective management of the portfolio. This includes collecting the prior year’s financial statements. In FY 2022, certain job duties of the Arts and Sciences Program Administrator were delayed due her leaving the County in Spring 2022. Other DEWD staff filled in as they could.

Note: Funding for the Arts and Sciences Program Administrator will run out in FY 2023 so a new funding source must be identified for FY 2024 and beyond.

Finding 2:

FY 2021 grant funds were disbursed to 2 organizations that had not submitted the required annual audit with the grant application.

Recommendation:

We recommend that the Department comply with the requirements of its grant distribution policy for future grant funding.

Agency Response:

DEWD Fiscal staff will add confirmation that the annual audits have been received to its checklist for the Arts and Sciences Program Administrator.

Finding 3:

FY 2021 grant funds were disbursed to 2 organizations at amounts greater than the County Council had approved.

Recommendation:

We recommend that the Department comply with the County Code and disburse future grant funding at amounts that do not exceed amounts approved by the County Council.

Agency Response:

DEWD Fiscal will confirm the amounts with the new Arts and Sciences Program Administrator, and with OBF, prior to preparing the future operating CARF approvals.

PROJECT TEAM

Scott W. Mitchell, CPA, CISA, CIA, CFE
Director of Audits

Zachary J. Ament
Auditor