

Special Report

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

**Fiscal Year Ended June 30, 2012**

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Office of the County Auditor  
Baltimore County, Maryland



**BALTIMORE COUNTY, MARYLAND**  
**OFFICE OF THE COUNTY AUDITOR**

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August 28, 2013

Honorable Members of the County Council  
Honorable Kevin Kamenetz, County Executive  
Baltimore County, Maryland

In accordance with Section 10-1-108(b)(3) of the Baltimore County Code, we have reviewed the annual financial reports submitted by organizations that received County grant funds for arts, sciences, and cultural enrichment during the fiscal year ended June 30, 2012. This Code section requires all organizations that receive in excess of \$10,000 of arts and sciences grant funds per fiscal year to submit audited financial statements or acceptable equivalents for review by the County Auditor.

The grant agreement between the County and each recipient organization requires the annual report to be submitted no later than 150 days after the end of the organization's fiscal year. For FY 2012, funds totaling \$3,190,750 were disbursed to 28 organizations that received arts and sciences grant funds in excess of \$10,000. Due to the end dates of the grantees' fiscal years, all 28 organizations were required to submit audited financial statements or acceptable equivalents as of the end of our review on March 22, 2013.

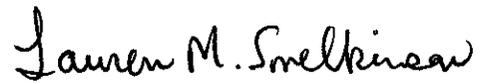
Our review disclosed that of the 28 submitted annual reports, none contained sufficient detail to determine accountability of the County arts and sciences grant funds. In addition, we noted that 21 of the reports were received 2 to 175 days after the 150-day reporting deadline.

A response to our findings from the Office of Communications is included as Appendix A to this report.

We wish to express our appreciation to the Office for the cooperation and assistance 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.

Respectively 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

## Table of Contents

	<u>Page</u>
Transmittal Letter .....	1
Background Information and Purpose of Review.....	4
Findings and Recommendations .....	5
Agency Response .....	Appendix A

## **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 performing and visual 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 Office of Communications provides administrative support to the Commission and is responsible for administering the arts and sciences grant awards.

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 by a certified public accountant or acceptable equivalent, which will reflect the accountability of the grant or grants received..." Further, the Code provides that the annual reports shall be submitted to the County Auditor for review. In addition, the grant agreements between the County and the grantees require that the annual reports be provided within 150 days of the completion of the grantee's fiscal year.

For the fiscal year ended June 30, 2012, grant funds totaling \$3,190,750 were awarded to 28 organizations that received in excess of \$10,000 of County arts and sciences grants. Due to the end dates of the grantees' fiscal years, all 28 organizations were required to submit audited financial statements or acceptable equivalents as of the end of our review on March 22, 2013.

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, 2012 complied with the aforementioned reporting requirements.

## Findings and Recommendations

- 1. The 28 annual reports that were submitted did not provide sufficient detail to determine accountability of the FY 2012 County grant funds. Additionally, 21 reports were submitted after the 150-day reporting 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 by a certified public accountant or an acceptable equivalent, which reflects the accountability of the grant funds received. The grant agreement between the County and each recipient organization further requires the annual report to be provided within 150 days of the completion of the organization's fiscal year.

Our review disclosed that all 28 organizations that received FY 2012 County grant funds in excess of \$10,000 submitted an annual report as of the end of our review on March 22, 2013. However, we noted that none of the 28 submitted reports provided sufficient detail to reflect the accountability of the expenditure of FY 2012 County grant funds in order to verify compliance with the terms of the grant agreements. For example, the grant agreements expressly prohibit the use of grant funds for lobbying activities. However, the audited financial statements submitted by an organization that received \$80,000 of arts and sciences grant funds during FY 2012 disclosed that the organization expended \$10,000 during the year for lobbying services provided by a board member. Since the audited financial statements did not provide sufficient detail of the accountability of the County grant funds, the County lacks adequate assurance that the grant funds were not expended for the lobbying activities, which would violate the terms of the grant agreement.

Our review also disclosed that 21 reports were submitted 2 to 175 days after the 150-day reporting deadline.

We commented on similar conditions in our previous reports.

**To provide adequate assurance that County arts and sciences grant funds are expended in compliance with the terms of the grant agreements, we again recommend that the Office require grant recipients to include sufficient detail in their annual reports to reflect the accountability of the grant funds. For example, sufficient detail could be included in a footnote to audited financial statements or could be the subject of an attestation report prepared by an independent certified public accountant in conjunction with or in lieu of an audit of the financial statements. We also recommend that the Office require grant recipients to submit annual reports within the 150-day reporting deadline.**

## **APPENDIX A**

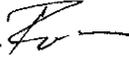
### **OFFICE OF COMMUNICATIONS**

#### **RESPONSE**



**MEMORANDUM**

TO: Lauren M. Smelkinson  
Scott M. Mitchell

FROM: Fronda J. Cohen, Director   
Baltimore County Commission on Arts & Sciences

RE: Arts & Sciences Special Report FY2012

DATE: August 21, 2013

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 FY2012.

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

Enclosure

cc: Fred Homan  
Don Mohler  
Keith Dorsey  
Donna Morrison  
Matt Carpenter

**Arts & Sciences Special Report FY2012**

**Finding 1**

**The 28 annual reports that were submitted did not provide sufficient detail to determine accountability of the FY 2012 County grant funds. Additionally, 21 reports were submitted after the 150-day reporting deadline.**

**Department Response**

The Office of Budget and Finance commits to further examine and implement procedures that will ensure statutory compliance and to assist the Office of Communications with said implementation. We are especially aware of the need to inform and educate grant recipients of the County's intent to enforce mandatory reporting.

PROJECT TEAM

**Scott W. Mitchell, CPA, CISA, CIA**  
Audit Manager

**Jaime R. Brooks**  
Staff Auditor