

Special Report

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

Fiscal Year Ended June 30, 2013



Office of the County Auditor
Baltimore County, Maryland



BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

LAUREN M. SMELKINSON, CPA
COUNTY AUDITOR

ELIZABETH J. IRWIN
DEPUTY COUNTY AUDITOR

400 WASHINGTON AVENUE
TOWSON, MARYLAND 21204
410-887-3193
410-887-4621 (FAX)

December 23, 2014

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, 2013. 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 2013, funds totaling \$2,640,700 were disbursed to 26 organizations that received arts and sciences grant funds in excess of \$10,000. All 26 organizations were required to submit audited financial statements or acceptable equivalents as of the end of our review on August 27, 2014.

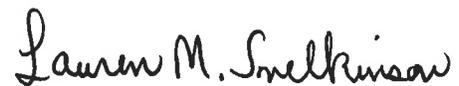
Our review disclosed that 1 of the 26 organizations did not submit the required annual report. In addition, we noted that of the 25 reports submitted, none contained sufficient detail to determine accountability of the County arts and sciences grant funds and 19 reports were received 13 to 209 days after 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 on-line at "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, flowing style.

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 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, 2013, grant funds totaling \$2,640,700 were awarded to 26 organizations that received in excess of \$10,000 of County arts and sciences grants. All 26 organizations were required to submit audited financial statements or acceptable equivalents as of the end of our review on August 27, 2014.

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, 2013 complied with the aforementioned reporting requirements.

Findings and Recommendations

- 1. Of the 26 organizations that received County grant funds in excess of \$10,000, 1 did not submit the required annual report as of August 27, 2014, and 19 submitted reports 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 of the 26 organizations that received FY 2013 County grant funds in excess of \$10,000, 1 organization had not submitted the required annual report as of August 27, 2014. Consequently, there was no accountability for the County grant funds disbursed to this organization, which totaled \$45,000.

Our review also disclosed that 19 organizations submitted their reports 13 to 209 days after the 150-day reporting deadline.

To ensure the accountability of arts and sciences grant funds disbursed, we recommend that the Office of Communications pursue the receipt of the one annual report not submitted or require the organization to repay the grant funds to the County. We also recommend that the Office require grant recipients to submit annual reports within the 150-day reporting deadline.

- 2. The 25 annual reports that were received as of August 27, 2014 did not provide sufficient detail to determine accountability of the County grant funds.**

As previously mentioned, 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. Additionally, the grant agreement between the County and each recipient organization requires the grant funds to be expended for prescribed activities ("scope of services") and prohibits the grant funds from being expended for restricted activities (e.g., lobbying, political activity).

However, our review disclosed that none of the 25 reports that were received as of August 27, 2014 provided sufficient detail to reflect the accountability of FY 2013 County grant funds in order to verify compliance with the terms of the grant agreements. Consequently, the County lacks adequate assurance that the grant funds were expended for prescribed activities and were not expended for the activities prohibited in the grant agreements.

We commented on this condition 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.

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 FY2013

DATE: December 19, 2014

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 FY2013.

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

Enclosure

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

Arts & Sciences Special Report FY2013

Finding 1

Of the 26 organizations that received County grant funds in excess of \$10,000, 1 did not submit the required annual report as of August 27, 2014, and 19 submitted reports after the 150-day reporting deadline.

Department Response

The outstanding annual report was received by the Office of Communications once it was approved by the grantee's board of directors. 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. Beginning with grant agreements for fiscal year 2015, the reporting deadline will be 180 days.

Finding 2

The 25 annual reports that were received as of August 27, 2014 did not provide sufficient detail to determine accountability of the County grant funds.

Department Response

To provide further substantiation of the grantees' use of funds, the Office of Communications will require arts and sciences grant recipients to submit a post-grant affidavit signed by an authorized representative attesting that grant funds were used to execute the scope of services in the grant agreement and that no funds were used for purposes not allowed in the grant agreement.

PROJECT TEAM

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

Jaime R. Brooks
Staff Auditor