

Special Report

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

**Fiscal Year Ended June 30, 2014**

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Office of the County Auditor  
Baltimore County, Maryland



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

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COUNTY AUDITOR

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December 28, 2015

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, 2014. This Code section requires all organizations that receive in excess of \$10,000 of arts and sciences grant funds per fiscal year to submit an annual audit prepared by a certified public accountant. Effective October 19, 2015, this Code section also requires such organizations to submit, in addition to the audit, an affidavit from an authorized representative attesting to compliance with the grant requirements and affirming that grant funds were expended on prescribed activities and not on prohibited activities specified in the grant agreement (e.g., lobbying). Although this new Code requirement was not effective until after June 30, 2014, the County was already administratively requiring each grant recipient to provide an affidavit during the fiscal year under review (in response to our office's findings/recommendations from previous years).

The grant agreement between the County and each recipient organization requires the annual audit to be submitted within 150 days of the organization's fiscal year end and the completed affidavit to be submitted by August 21, 2014. For FY 2014, funds totaling \$2,652,300 were disbursed to 26 organizations that received arts and sciences grant funds in excess of \$10,000. All 26 organizations were required to submit annual audits as of the end of our review on October 30, 2015.

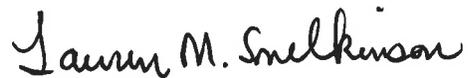
Our review disclosed that 1 organization did not submit the required annual audit and 13 organizations submitted audits 5 to 181 days after the 150-day reporting deadline. Our review also disclosed that 5 organizations submitted the completed affidavits 4 to 363 days after the August 21, 2014 deadline. In addition, we noted that the Office of Communications disbursed FY 2014 grant funds to one organization that had not submitted the required annual audit with its grant application.

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](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 small dot above the 'i' in "Smelkinson".

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 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 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 and that grant funds were expended on prescribed activities and not on prohibited activities specified in the grant agreement (e.g., lobbying). Further, the FY 2014 grant agreement between the County and the recipient organization requires that the annual audit be submitted within 150 days of the completion of the organization's fiscal year and the completed affidavit be submitted by August 21, 2014.

For the fiscal year ended June 30, 2014, grant funds totaling \$2,652,300 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 annual audits as of the end of our review on October 30, 2015.

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, 2014 complied with the aforementioned reporting requirements.

## Findings and Recommendations

- 1. FY 2014 grant funds were disbursed to one organization that had not submitted the required annual audit.**

Any 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 (FY 2011 audit was required with the FY 2014 grant application). For approved arts and sciences grants in excess of \$10,000, the Office's policy prohibits the disbursement of the grant funds to an organization that had not submitted the required audit with its grant application. Our review disclosed that the Office disbursed FY 2014 County arts and sciences grant funds to 1 organization totaling \$15,000 that had not submitted the required annual audit.

We commented on this condition for this same organization in our FY 2010 report (the last time this organization received County arts and sciences grant funds in excess of \$10,000). In its response to our FY 2010 report, the Office of Communications stated that it would comply with its grant distribution policy and withhold future grant funding from the organization until receiving the required annual report.

**We recommend that the Office comply with the requirements of its grant distribution policy and withhold future grant funding from this organization until receiving the required annual audit.**

- 2. Of the 26 organizations that received FY 2014 County grant funds in excess of \$10,000, 1 did not submit the required annual audit, 13 submitted annual audits after the 150-day reporting deadline, and 5 submitted the completed affidavits after the August 21, 2014 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 and that grant funds were expended on prescribed activities and not on prohibited activities specified in the grant agreement (e.g., lobbying). The FY 2014 grant agreement between the County and each recipient organization further requires that the annual audit be submitted within 150 days of the completion of the organization's fiscal year and the completed affidavit be submitted by August 21, 2014.

Our review disclosed that of the 26 organizations that received FY 2014 County grant funds in excess of \$10,000, 1 organization (same organization identified in finding # 1) did not submit its required annual audit within 150 days of the completion of its fiscal year (or by the end of our review on October 30, 2015). We commented on this condition for this same organization in our FY 2010 report (the last time this organization received County arts and sciences grant funds in excess of \$10,000). In its response to our FY 2010 report, the Office of Communications stated that the organization's non-compliance with the grant agreement constituted a default and exercised its right to terminate the grant agreement with this organization.

Our review also disclosed that 13 organizations had submitted their annual audits 5 to 181 days after the 150-day reporting deadline and 5 organizations (including the organization identified above and in finding # 1) submitted their completed affidavits 4 to 363 days after the August 21, 2014 deadline.

**We recommend that the Office of Communications pursue the receipt of the 1 annual audit 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 the required annual audits and completed affidavits by the reporting deadlines established within the grant agreements.**

**APPENDIX A**

**OFFICE OF COMMUNICATIONS**

**RESPONSE**



**MEMORANDUM**

TO: Lauren M. Smelkinson  
Scott M. Mitchell

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

RE: Arts & Sciences Special Report FY2014

DATE: December 18, 2015

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 FY2014.

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 FY2014  
Department Response**

**Finding 1**

**FY 2014 grant funds were disbursed to 1 organization that had not submitted the required annual audit.**

**Department Response**

The organization has informed the Office of Communications that it can expect to receive the annual audit in January 2016.

**Finding 2**

**Of the 26 organizations that received FY 2014 County grant funds in excess of \$10,000, 1 did not submit the required annual audit, 13 submitted annual audits after the 150-day reporting deadline, and 5 submitted the completed affidavits after the August 21, 2014 deadline.**

**Department Response**

As stated above, the organization has informed the Office of Communications that it can expect to receive the annual audit in January 2016. Beginning with grant agreements for fiscal year 2015, the reporting deadline for annual audits will be 180 days. The Department will more closely monitor affidavits to assure they are filed by the required deadline. The Office of Budget and Finance commits to assist the Office of Communications with said implementation.

PROJECT TEAM

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

**Ronit Rubin, CPA**  
Staff Auditor