

Special Report

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

Fiscal Year Ended June 30, 2015



Office of the County Auditor
Baltimore County, Maryland



BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

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December 22, 2016

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 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, 2015. This Code section requires such organizations to submit an annual audit prepared by a certified public accountant, and an affidavit signed by 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.

The grant agreement between the County and each recipient organization requires the annual audit to be submitted within 180 days of the grantee's fiscal year end (the FY 2015 reporting deadline was extended by 30 days) and the completed affidavit to be submitted by August 21, 2015. For FY 2015, \$2,687,200 was disbursed to 28 organizations that received arts and sciences grant funds in excess of \$10,000.

Our review disclosed that 1 organization did not submit the required annual audit and 12 organizations submitted audits 2 to 101 days after the 180-day reporting deadline. Also, we noted that the Office of Communications disbursed FY 2015 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 online 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 cursive script that reads "Lauren M. 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 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 grant agreement between the County and the grantee requires that the annual audit be submitted within 180 days of the completion of the grantee's fiscal year end (the FY 2015 reporting deadline was extended by 30 days) and the completed affidavit be submitted by August 21, 2015.

For the fiscal year ended June 30, 2015, grant funds totaling \$2,687,200 were awarded to 28 organizations that received in excess of \$10,000 of County arts and sciences grants. All 28 organizations were required to submit annual audits and signed affidavits as of the end of our review on October 21, 2016.

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, 2015 complied with the aforementioned reporting requirements.

Findings and Recommendations

- 1. Of the 28 organizations that received FY 2015 County grant funds in excess of \$10,000, 1 did not submit the required annual audit and 12 submitted annual audits after the 180-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 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 2015 grant agreement between the County and each recipient organization further requires that the annual audit be submitted within 180 days of the completion of the grantee's 2015 fiscal year end (the FY 2015 reporting deadline was extended by 30 days) and the completed affidavit be submitted by August 21, 2015.

Our review disclosed that of the 28 organizations that received FY 2015 County grant funds in excess of \$10,000, 1 organization (received \$11,000 in grant funds) did not submit its required annual audit within 180 days of the completion of its 2015 fiscal year end (or by the end of our review on October 21, 2016). Our review also disclosed that 12 organizations had submitted their annual audits 2 to 101 days after the 180-day reporting deadline.

We recommend that the Office of Communications pursue the receipt of the 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 by the reporting deadline established within the grant agreement.

- 2. FY 2015 grant funds were disbursed to 1 organization that had not submitted the required annual audit.**

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 (FY 2012 annual audit was required with the FY 2015 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 annual audit with its grant application. Our review disclosed that in September 2014, the Office disbursed FY 2015 County arts and sciences grant funds totaling \$18,000 to 1 organization that had not submitted the required FY 2012 annual audit (or any annual audits for recently completed fiscal years).

We commented on grant funds being disbursed before receipt of the annual audit for this same organization in our FY 2010 and FY 2014 reports (the last two times this organization received County arts and sciences grant funds in excess of \$10,000), and the Office of Communications stated that it would comply with its grant distribution policy.

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.

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 FY2015

DATE: December 21, 2016

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 FY2015.

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 Grants Special Report FY2015
Department Response

Finding 1

Of the 28 organizations that received FY 2015 County grant funds in excess of \$10,000, 1 did not submit the required annual audit and 12 submitted annual audits after the 180-day reporting deadline.

Department Response

The department received the annual audit from the aforementioned organization on November 21, 2016. The Department will more closely monitor to assure all annual audits are filed by the required deadline. The Office of Budget and Finance commits to assist the Office of Communications with said implementation.

Finding 2

FY 2015 grant funds were disbursed to 1 organization that had not submitted the required annual audit.

Department Response

The department received the annual audit from the organization on April 25, 2016.

PROJECT TEAM

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

Zachary J. Ament
Auditor