

Special Report

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

Fiscal Year Ended June 30, 2022



Office of the County Auditor
Baltimore County, Maryland



BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

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March 19, 2024

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, 2022. 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 2022 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 8, 2022. For FY 2022, the County disbursed a total of \$2,740,750 to 28 organizations that received arts and sciences grants in excess of \$10,000.

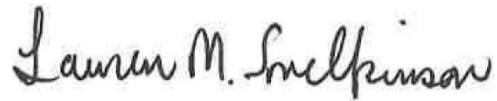
Our review disclosed that 6 organizations did not submit the required annual audits, and 12 organizations submitted audits 2 to 229 days after the 240-day reporting deadline. Our review also disclosed that 1 organization did not submit an affidavit, and 24 organizations submitted their affidavits 6 to 193 days after the September 8, 2022 deadline, including 3 organizations that did not properly affirm compliance with the FY 2022 grant agreement. Our review further disclosed that FY 2022 grant funds were disbursed to 3 organizations that had not submitted the required annual audits with their grant application (or subsequently thereafter), including 1 organization that still had not submitted the annual audit required for the receipt of FY 2021 grant funds.

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 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, flowing style.

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 Department of Economic and Workforce Development is responsible for administering the grants.

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 2022 grant agreement between the County and the 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 8, 2022. For the fiscal year ended June 30, 2022, 28 organizations received County arts and sciences grants in excess of \$10,000; grant funds awarded to the organizations totaled \$2,740,750.

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, 2022 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 of Economic and Workforce Development complied with its grant disbursement policy.

Findings and Recommendations

- 1. Of the 28 organizations that received FY 2022 County grant funds in excess of \$10,000, 6 did not submit the required annual audit, 12 submitted annual audits after the 240-day reporting deadline, 1 did not submit the required affidavit, and 24 submitted affidavits after the September 8, 2022 deadline.**

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 2022 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 8, 2022.

Our review disclosed that of the 28 organizations that received FY 2022 County grant funds in excess of \$10,000, 6 organizations (received a total of \$143,000 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 November 17, 2023) (3 organizations also included in Finding 2), and 12 organizations (received a total of \$1,297,250 in grant funds) submitted their annual audits 2 to 229 days after the 240-day reporting deadline.

Our review also disclosed that 1 organization (received \$25,000) did not submit an affidavit, and 24 organizations (received a total of \$2,570,500 in grant funds) submitted their affidavits 6 to 193 days after the September 8, 2022 deadline, including 3 organizations (received a total of \$415,000) that did not properly affirm compliance with the FY 2022 grant agreement (e.g., referenced wrong grant period).

We recommend that the Department require each grant recipient to comply with the annual audit and affidavit reporting deadlines established within the grant agreement. We also recommend that the Department withhold future grant funding until after the outstanding FY 2022 annual audits and affidavits are submitted and reviewed.

- 2. FY 2022 grant funds were disbursed to 3 organizations that had not submitted the required annual audits.**

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 2019 annual audit was required with the FY 2022 grant application). In addition, the Department of Economic and Workforce Development's policy prohibits the disbursement of the grant funds to an organization that had not submitted the required annual audit with its grant application (or subsequently thereafter). Our review disclosed that the Department disbursed FY 2022 County arts and sciences grant funds totaling \$43,000 to 3 organizations (\$19,000, \$12,000, and \$12,000, respectively) that had not submitted the required annual audit; additionally, the organization that received \$19,000 still had not submitted the annual audit required for the receipt of FY 2021 grant funds (\$15,000).

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

APPENDIX A

AGENCY RESPONSE



MEMORANDUM

TO: Lauren M. Smelkinson
Scott W. Mitchell

FROM: Sameer Sidh, Acting Director, Department of Economic and Workforce
Development

RE: Arts & Sciences Final Report FY2022

DATE: March 19, 2024

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 FY2022.

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

Enclosure

cc: Stacy L. Rodgers
Kevin Reed
Matt Carpenter
Jacob Knapp



Arts and Sciences Grant Final Report FY2022 Department Response

Finding 1:

Of the 28 organizations that received FY 2022 County grant funds in excess of \$10,000, 6 did not submit the required annual audit, 12 submitted annual audits after the 240-day reporting deadline, 1 did not submit the required affidavit, and 24 submitted affidavits after the September 8, 2022 deadline.

Recommendation:

We recommend that the Department require each grant recipient to comply with the annual audit and affidavit reporting deadlines established within the grant agreement. We also recommend that the Department withhold future grant funding until after the outstanding FY 2022 annual audits and affidavits are submitted and reviewed.

Agency Response:

The Department of Economic and Workforce Development (DEWD) concurs with this recommendation. Over the course of the next year, DEWD will review its current granting process and assess measures that can be implemented to ensure that appropriate accountability measures are in place to compel submission of outstanding audits and compliance affidavits, and provide reminders to improve the timeliness of submissions.

In addition, DEWD will meet with entities that have historical compliance issues to better understand the root causes of non-compliance. Part of potential corrective action may be to provide technical assistance to smaller entities with less resources so that annual audit requirements can be met.

Finding 2:

FY 2022 grant funds were disbursed to 3 organizations that had not submitted the required annual audits.

Recommendation:

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



Agency Response:

DEWD concurs with this recommendation, and will review its existing granting processes to ensure that annual audits for the most recently completed fiscal year are provided with grant applications in all cases.

PROJECT TEAM

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