

Audit Report

Department of Disabilities

June 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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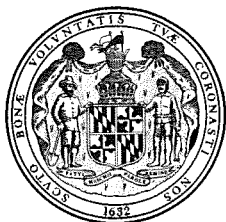
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

June 26, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit Committee
Delegate Shelly L. Hettleman, House Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Disabilities (DOD) for the period beginning January 5, 2015 and ending June 20, 2018. DOD evaluates programs and services for citizens with disabilities, and coordinates and supports public and private agencies serving persons with disabilities.

Our audit disclosed that DOD did not effectively monitor a nonprofit entity, which received a \$250,000 annual grant, to ensure that tasks were performed in accordance with the grant agreement.

Our audit also included a review to determine the status of the two findings contained in our preceding audit report. We determined that DOD satisfactorily addressed these findings.

DOD's response to this audit is included as an appendix to this report. We reviewed the response to our finding and related recommendation, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by DOD

and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, prominent initial "G".

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Department of Disabilities (DOD) is responsible for evaluating programs and services for citizens with disabilities, and coordinating and supporting public and private agencies serving persons with disabilities. According to the State's records, DOD's expenditures were approximately \$11.7 million during fiscal year 2017, which included approximately \$2.1 million for grants and subsidies.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated July 9, 2015. We determined that DOD satisfactorily addressed these findings.

Findings and Recommendations

Grants

Finding 1

DOD did not include sufficient details in its annual grant agreements with one grantee to enable effective monitoring of the grant and did not document that it verified performance of required work by the grantee.

Analysis

DOD did not include sufficient details in its annual grant agreements with one grantee to enable effective monitoring of grant activity, and did not document that it verified related tasks were completed prior to disbursing funds. DOD awarded \$250,000 each year to a nonprofit organization to provide resources for improving American Disabilities Act compliance. The grantee submitted an annual proposal identifying the tasks to be performed using the funds, which was incorporated into the grant agreement. The grantee then submitted monthly reimbursement requests and progress reports to DOD to obtain the grant funds. Funds disbursed to the grantee during the audit period totaled approximately \$741,000.

Our review of the annual grant proposals and subsequent progress reports for fiscal years 2016 through 2018 disclosed that many of the tasks were not described in sufficient detail to enable DOD to effectively monitor the performance of the tasks and, consequently, authorize the related payments. For

example, one task provided for the grantee to “network with State officials to address nonvisual access navigation for public transportation,” and another “to continue research on available nonvisual internet software and perform related user testing.” Furthermore, the descriptions of these tasks on the progress reports were similarly vague.

In addition, when specific tasks were identified in the grant proposals and progress reports, DOD did not maintain documentation that it verified the required tasks were completed prior to processing the related reimbursements. For example, the progress report for May 2018 listed several verifiable tasks, including the development of a website and a seminar, but DOD did not document that it had verified the completion of these tasks prior to processing the related payment of \$23,200. While we were advised by DOD that it verified completion of required tasks by the grantee through various efforts, including periodic meetings and phone calls, documentation of these efforts was not maintained. As a result, DOD lacked assurance that grant funds were used as intended and that related tasks were performed.

Recommendation 1

We recommend that DOD include sufficient details of the tasks to be performed in its grant agreements to enable effective monitoring of the grantees, and that this monitoring be formally documented as part of the grant reimbursement process.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Disabilities (DOD) for the period beginning January 5, 2015 and ending June 20, 2018. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DOD’s financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included purchases and disbursements, equipment, federal fund recoveries, and the Attendant Care Program. We also determined the status of the findings included in our preceding audit report.

Our audit did not include certain support services provided to DOD by the Executive Department – Governor. These support services (such as processing of invoices and payroll, and maintenance of certain accounting records and related fiscal functions) are included within the scope of our audits of the Executive Department – Governor. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of DOD’s compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DOD.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of DOD’s operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State’s Financial Management Information System (such as revenue and expenditure data). These extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from this source were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DOD’s management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DOD's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DOD that did not warrant inclusion in this report.

DOD's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DOD regarding the results of our review of its response.

APPENDIX

Carol A. Beatty, Secretary
Christian J. Miele, Deputy Secretary



Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor

June 17, 2019

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
301 W. Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Hook:

Enclosed please find our response to the audit report on the Department of Disabilities for the period beginning January 5, 2015 and ending June 20, 2018.

Thank you for the opportunity to respond to the draft report. If you or your staff has any questions concerning the responses; please do not hesitate to contact John Brennan, Deputy Assistant Secretary.

Sincerely,

A handwritten signature in cursive script that reads "Carol A. Beatty".

Carol Beatty
Secretary

MRE: jpb
encl.

cc: Tiffany Robinson, Deputy Chief of Staff
Christian Miele, Deputy Secretary
Mona Vaidya, Director of Administration, GOFA

Department of Disabilities

Agency Response Form

Grants

Finding 1

DOD did not include sufficient details in its annual grant agreements with one grantee to enable effective monitoring of the grant and did not document that it verified performance of required work by the grantee.

We recommend that DOD include sufficient details of the tasks to be performed in its grant agreements to enable effective monitoring of the grantees, and that this monitoring be formally documented as part of the grant reimbursement process.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	DOD solicits and receives a grant proposal from the grantee each year that details the activities to be carried out by the grantee for the period July 1- June 30. DOD staff conducts a monthly meeting with the grantee to review the tasks accomplished to date and monitor the grantees overall performance against the deliverables contained in the grant agreement.
Recommendation 1	Agree Estimated Completion Date: 1.12/30/2018; 2. 7/31/2019
Please provide details of corrective action or explain disagreement.	1. After meeting with OLA to discuss the preliminary findings of the DOD audit, DOD initiated a practice of formally documenting the monthly discussions between DOD staff and the grantee mentioned above. 2. DOD is reviewing the grant proposal and agreement for FY 2020 and will amend the agreement to include additional details where needed in order to more effectively monitor the grant.

AUDIT TEAM

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