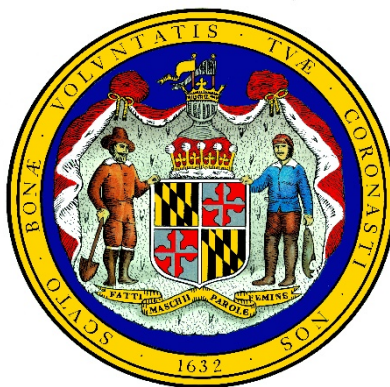


Audit Report

Maryland African American Museum Corporation

August 2025



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Shelly L. Hettleman (Senate Chair)	Delegate Jared Solomon (House Chair)
Senator Joanne C. Benson	Delegate Steven J. Arentz
Senator Benjamin T. Brooks, Sr.	Delegate Andrea Fletcher Harrison
Senator Paul D. Corderman	Delegate Steven C. Johnson
Senator Katie Fry Hester	Delegate Mary A. Lehman
Senator Cheryl C. Kagan	Delegate David H. Moon
Senator Clarence K. Lam, M.D.	Delegate Julie Palakovich Carr
Senator Cory V. McCray	Delegate Emily K. Shetty
Senator Justin D. Ready	Delegate Stephanie M. Smith
Senator Bryan W. Simonaire	Delegate M. Courtney Watson

To Obtain Further Information

Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.state.md.us
Website: www.ola.state.md.us

To Report Fraud

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

Nondiscrimination Statement

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

August 15, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland African American Museum Corporation (MAAMC) for the period beginning April 1, 2021 and ending January 30, 2025. MAAMC, along with its Board of Directors, oversees the programs of the Reginald F. Lewis Museum of Maryland African American History and Culture. During the audit period MAAMC had a significant vacancy rate, which may have contributed, at least in part, to the findings in this report.

Our audit disclosed that MAAMC did not assign values to all 12,200 art and historical artifacts in the collection for insurance purposes, conduct physical inventories, and separate duties precluding effective control and accountability over the inventory. Similar conditions were commented upon in our three preceding audit reports dating back to 2013 but were not sufficiently corrected.

Our audit also disclosed that MAAMC did not conduct a comprehensive investigation when it identified a former employee had directed a customer to pay the employee rather than MAAMC for Special Events activities. As a result, MAAMC did not identify certain additional questionable activity and did not refer the matter to the Office of the Attorney General – Criminal Division and the Governor’s Chief Counsel, as required. MAAMC had not established sufficient accountability over its Special Events activities, which contributed to the aforementioned activity going undetected. For example, the former employee could unilaterally initiate rental contracts, invoice customers, and receive payments without the knowledge of MAAMC’s finance department.

Our audit further disclosed that MAAMC did not adequately review Corporate Purchasing Card (CPC) payments for propriety or ensure that supporting documentation was submitted by cardholders. Our review disclosed 11

questionable payments made by 2 employees that were not identified by MAAMC's supervisory reviews. We referred certain of this activity to the Office of the Attorney General – Criminal Division. MAAMC also did not consider or make any attempts to utilize the Statewide CPC administrator contract and did not establish sufficient policies and procedures over its independently procured CPC program. In response to our inquiries, the Comptroller advised that while it is not eligible to participate in the Statewide CPC program it can piggyback on the Statewide CPC administrator contract which offers enhanced control capabilities.

Finally, our audit disclosed that MAAMC did not establish sufficient procedures and controls over its cash receipts and disbursement processes, and MAAMC's procurement policy was not sufficiently comprehensive to ensure adequate transparency and the integrity of procurements.

MAAMC's response to this audit is included as an appendix to this report. We reviewed the response and noted agreement to our findings and related recommendations and will notify MAAMC of any needed clarification to ensure the responses sufficiently address the related findings. We wish to acknowledge the cooperation extended to us during the audit by MAAMC.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

Background Information	5
Agency Responsibilities	5
State Grants	6
Financial Statement Audits	6
Special Investigation Unit Review and Referral	7
Status of Findings From Preceding Audit Report	7
Findings and Recommendations	8
Museum Collections of Art and Historical Artifacts	
* Finding 1 – The Maryland African American Museum Corporation (MAAMC) did not establish adequate accountability and controls over its art and historical artifacts.	8
Special Events	
Finding 2 – MAAMC did not take sufficient action when it identified questionable activity by one employee.	10
Finding 3 – MAAMC did not establish sufficient accountability over its Special Events activities.	11
Corporate Purchasing Cards	
Finding 4 – MAAMC did not ensure corporate purchasing card (CPC) transactions were adequately supported resulting in the failure to identify certain questionable CPC payments made by two MAAMC cardholders.	13
Finding 5 – MAAMC did not consider participating in the Statewide CPC program and did not establish sufficient policies and procedures over its independently procured CPC program.	15
Cash Receipts	
Finding 6 – MAAMC did not establish adequate accountability and control over cash receipts.	16

* Denotes item repeated in full or part from preceding audit report

Procurement and Disbursements

Finding 7 – MAAMC did not establish sufficient controls over disbursements, maintained an inventory of pre-signed checks, and did not adequately secure blank check stock. 17

Finding 8 – MAAMC’s procurement policy did not require public solicitation of contracts and the publishing of the related awards. 18

Audit Scope, Objectives, and Methodology 20**Agency Response Appendix**

Background Information

Agency Responsibilities

The Maryland African American Museum Corporation (MAAMC) was created by State law in 1998 to oversee the development and future programs of the Reginald F. Lewis Museum of Maryland African American History and Culture. MAAMC is constituted as a public instrumentality and an independent unit in the Executive Branch. A Board of Directors manages the affairs of the MAAMC and appoints a president to direct and supervise its administrative and technical affairs.

According to the State's records, during fiscal year 2024, MAAMC's operating expenditures totaled approximately \$5.6 million, which consisted of \$2.7 million in general fund expenditures and \$2.9 million in privately funded expenditures (see Figure 1). According to MAAMC management, as of June 30, 2024, approximately 13 percent of the total 32 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

Figure 1
MAAMC Positions, Expenditures, and
Funding Sources

Full-Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	28
Vacant	4
Total	32
Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$2,692,392
Technical and Special Fees	119,306
Operating Expenses	2,498,899
Total	\$5,310,597
Fiscal Year 2024 Funding Sources	
	Funding
General Fund	\$2,700,000
Privately Raised Revenue	2,872,322
Total	\$5,572,322

Source: MAAMC management and State financial records

State Grants

Each year MAAMC enters into a Memorandum of Understanding (MOU) with the Department of Budget and Management establishing a State general fund grant with a matching requirement for privately raised funds.¹ MAAMC received State general fund grants totaling approximately \$2 million in fiscal years 2022 and 2023, and \$2.7 million in fiscal year 2024.

Financial Statement Audits

MAAMC engaged an independent accounting firm to perform audits of its financial statements for the fiscal years ended June 30, 2021, 2022, 2023, and

¹ For fiscal year 2024, the MOU requires MAAMC to match \$0.75 for each dollar of the State Grant. Matching funds were waived between fiscal years 2020 and 2023 due to the COVID-19 pandemic.

2024. In the related audit reports, the firm stated that MAAMC’s financial statements presented fairly, in all material respects, the financial position of MAAMC and the respective changes in its net assets and its cash flows for the aforementioned years in accordance with accounting principles generally accepted in the United States of America.

Special Investigation Unit Review and Referral

Our Special Investigation Unit (SIU) reviewed a matter that was disclosed to us by MAAMC regarding the possible misappropriation of parking collections by a former employee. Our SIU also conducted a review of certain questionable corporate purchasing card activity identified during our fieldwork. The results of our review of these matters are further described in Findings 2 and 4. Based upon our review, certain of these matters were referred to the Office of the Attorney General – Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

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 November 17, 2021. See Figure 2 for the results of our review.

Figure 2		
Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	MAAMC did not always comply with its written procurement policy regarding obtaining written proposals and obtaining management approvals.	Not repeated
Finding 2	Adequate accountability and controls were not established over MAAMC’s museum collections of art and historical artifacts.	Repeated (Current Finding 1)

Findings and Recommendations

Museum Collections of Art and Historical Artifacts

Finding 1

The Maryland African American Museum Corporation (MAAMC) did not establish adequate accountability and controls over its art and historical artifacts.

Analysis

MAAMC did not establish adequate accountability and controls over its art and historical artifacts. According to MAAMC's records, as of December 2024, MAAMC's collections included approximately 12,200 items.

- MAAMC did not always comply with its policy that requires items, including art and historical artifacts, be assigned a value. In this regard, approximately 9,200 of the 12,200 items in the collection (75 percent) had not been assigned a value for insurance purposes (the remaining items were valued at \$1.3 million). The State Treasurer's Office, which insures MAAMC's collections, has advised that MAAMC may not be fully reimbursed for items without an assigned value.
- MAAMC did not conduct any complete physical inventories during our audit period. According to MAAMC policy, a complete physical inventory is to be performed every three years. Our test of 14 artifacts² did not identify any items listed on MAAMC's inventory records that could not be accounted for.
- The employee who maintained the detailed records of MAAMC's collection also had physical access to the items and was responsible for performing physical inventories and recording any necessary adjustments to the records. These duties should be separated to establish accountability over the museum collections.

Similar conditions regarding inadequate separation of duties were commented upon in our three preceding audit reports dating back to September 2013, the lack of an established policy for assigning values was commented upon in our two preceding audit reports dating back to February 2017, and the lack of physical inventories was commented upon in our preceding report. Although MAAMC's response to our prior report indicated that it would implement our recommendations by June 30, 2022, during our current audit MAAMC

² We selected artifacts based upon materiality, date of last inventory, and location.

management advised that they had not been implemented due to staff turnover and because MAAMC was transitioning to a new system to maintain its art and historical artifacts.

Recommendation 1

We recommend that MAAMC

- a. comply with its policy to ensure that a value is assigned and recorded for all items in its collection (repeat);**
- b. perform independent physical inventories every three years, as required, and update the detailed records accordingly (repeat); and**
- c. ensure that employees who maintain the detail records do not have physical access to the collections or responsibility for performing physical inventories (repeat).**

Special Events

Background

MAAMC rents its facility to customers for special events. MAAMC's Special Events department handles rental operations, including scheduling events, arranging for parking from a third-party parking vendor, and invoicing customers. According to MAAMC records, during fiscal year 2024, Special Events rental income totaled approximately \$545,000.

At the start of our audit, MAAMC disclosed that it identified questionable activity by a former Special Events employee involving parking collections.³ In response to this disclosure, our Special Investigation Unit conducted a review of procedures and controls over Special Events activity and tested related transactions. Based on our review and the conditions noted below, we referred certain matters to the Office of the Attorney General – Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

³ According to MAAMC records, the employee was terminated in October 2024 prior to the identification of the questionable activity.

Finding 2**MAAMC did not take sufficient action when it identified questionable activity by one employee.****Analysis**

MAAMC did not take sufficient action when it identified questionable activity by one employee. MAAMC's Special Events department arranged for parking at a garage operated by a third-party vendor when it was requested by customers. Customers were required to prepay for parking for which MAAMC purchased parking stickers on the customers' behalf. According to the parking vendor's records, during our audit period, MAAMC's payments for parking totaled approximately \$31,000.

During our audit, MAAMC disclosed that a former Special Events employee directed a customer to pay the employee rather than MAAMC's finance department for parking costs. MAAMC was alerted to the matter after the employee was terminated in October 2024, when a customer contacted MAAMC to confirm that the payment should be made directly to the employee. MAAMC performed a limited investigation to determine if there were any additional instances of redirecting payments, which did not identify any additional questionable activity.

Our review disclosed that the MAAMC investigation was not sufficiently comprehensive. Specifically, the investigation consisted of MAAMC and its information technology vendor searching emails and other computer files for instances of questionable activity (such as the employee requesting a direct payment from a customer). In addition, MAAMC contacted two special event customers via phone and email to inquire if they had made payments directly to the employee but could not document any follow up or additional inquiries when no response was received. MAAMC also did not attempt to research each special event held at the museum to ensure the related rental and parking payments were properly deposited. As a result, MAAMC did not identify any additional questionable activity and did not refer the matter to the Office of the Attorney General – Criminal Division and the Governor's Chief Counsel, as required.

Our review of available documentation identified nine instances⁴ totaling approximately \$5,900 in which customers were instructed to pay for parking directly to the former employee rather than MAAMC's finance department. For four of these instances totaling approximately \$1,700, we identified correspondence from the employee to the customers confirming that the employee

⁴ The questionable activity we identified had occurred during the period from March 2023 to October 2024 and includes eight instances not previously identified by MAAMC.

had received payment in cash. We were unable to determine if those cash payments were remitted to MAAMC by the employee because MAAMC had not established sufficient accountability over Special Events activities, as further described in Finding 3.

The Governor's Executive Order, *Standards of Conduct for Executive Branch Employees*, requires that all departments and agencies of the State immediately refer any instances of possible criminal or unethical conduct by an employee to the Office of the Attorney General and Governor's Chief Legal Counsel. MAAMC management advised us that it discussed the matter with MAAMC's Assistant Attorney General; however, no referrals were made to external parties.⁵

Recommendation 2

We recommend that MAAMC conduct sufficient investigations when it becomes aware of questionable employee activity and

- a. consult with the Office of the Attorney General – Criminal Division before taking any actions related to the questionable activities noted above; and**
- b. notify the Governor's Chief Legal Counsel of the aforementioned matter and, ensure any future instances of possible criminal or unethical conduct are referred to the appropriate entities in accordance with the aforementioned Executive Order.**

Finding 3

MAAMC did not establish sufficient accountability over its Special Events activities.

Analysis

MAAMC did not establish sufficient accountability over its Special Events activities. This contributed to the former employee redirecting certain payments as further described in Finding 2. Our review noted the following conditions:

- MAAMC did not adequately segregate duties over Special Events activity resulting in a former employee having unilateral control over the events including planning events, initiating rental contracts, invoicing customers, and receiving payments without the knowledge of MAAMC's finance department.

⁵ Although MAAMC's Assistant Attorney General was notified of the situation, this is not a substitute for the referenced reporting to external parties.

- MAAMC did not establish sufficient accountability over the pre-paid parking stickers. Specifically, MAAMC did not maintain written inventory records of parking stickers on-hand and did not require independent review and approval for the issuance of the stickers. As a result, the Special Events former employee responsible for maintaining the stock of parking stickers was able to distribute them without any independent oversight.
- MAAMC did not maintain a list of Special Events rental contracts, record invoices in its accounts receivable records, or record sufficient detail in its cash receipts records. Due to the lack of sufficient records, the MAAMC finance department could not determine how much was due from customers and if all amounts due were received and deposited. For five Special Events contracts⁶ we reviewed totaling approximately \$42,000, we were able to trace amounts due from the customers to the related deposits. However, as noted in Finding 2, we were unable to identify deposits totaling \$1,700 related to payments these customers made to the former Special Events employee for parking.

MAAMC management personnel advised us that they were aware of the deficiencies with Special Event procedures but had not implemented sufficient controls as of the time of our review. According to MAAMC's *Accounting Policies and Procedures Manual*, internal controls are to be established to include reliable record keeping and reporting, including but not limited to, proper authorization of transactions, physical control over assets, adequate monitoring by executive management, and adequate segregation of duties to ensure effective checks and balances.

Recommendation 3

We recommend that MAAMC establish sufficient internal controls over Special Events activity including

- adequately segregating duties over Special Events activities;**
- establishing accountability over pre-paid parking stickers; and**
- ensuring Special Events records are comprehensive, including accurate records of contracts, invoices, and cash receipts.**

⁶ We selected these five contracts for review based on the questionable activity we had identified with the related parking payments made by these customers.

Corporate Purchasing Cards

Background

MAAMC is not required to participate in the Statewide Corporate Purchasing Card Program, which is administered by the Comptroller of Maryland (COM). MAAMC established its own corporate purchasing card (CPC) policy and operates its own CPC program, which is not subject to oversight by COM. During the period from April 1, 2021, through December 31, 2024, MAAMC used three CPC administrative contractors. During the period of April 1, 2021, through July 26, 2023, MAAMC processed approximately \$394,000 in charges through two contractors and processed approximately \$476,000 in charges through a third contractor during the period from October 1, 2023, through December 31, 2024. According to MAAMC management, there were 14 active cardholders as of December 2024.

During our audit we identified questionable supporting documentation and transactions without a readily apparent business purpose. As a result, our Special Investigation Unit conducted a review of MAAMC's policies and procedures over CPC activity and tested 28 CPC payments.⁷ Based on our review and the conditions noted below, we referred certain activity to the Office of the Attorney General – Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Finding 4

MAAMC did not ensure CPC transactions were adequately supported resulting in the failure to identify certain questionable CPC payments made by two MAAMC cardholders.

Analysis

MAAMC did not ensure CPC transactions were adequately supported resulting in the failure to identify certain questionable CPC payments made by two MAAMC cardholders. According to MAAMC management, supervisory reviews of cardholder activity were not regularly performed for charges processed under the initial two CPC contractors. Additionally, based on our review, the reviews performed by MAAMC on activity processed under the third contractor were not sufficient.

⁷ We selected these payments for testing because they appeared questionable for reasons such as, they were payments to vendors which did not readily appear to have a legitimate business purpose.

Our test of 28 CPC payments⁸ totaling \$7,580, identified 11 questionable payments made by two cardholders totaling \$4,215. Three of these payments totaling \$165 made by one cardholder were not subject to any documented supervisory review and had no supporting documentation. Eight other payments totaling \$4,050 by another cardholder had questionable supporting documentation (invoices that misspelled the vendor's name and an address which appeared questionable given the nature of the service provided) including two paid to the cardholder's personal PayPal account, raising questions about the propriety of the payments. While all 8 payments were subject to supervisory review, no additional actions were taken despite the aforementioned inconsistencies, raising concerns about the adequacy of the review.

We were advised by the cardholder that the PayPal payments were reimbursements for payments by the cardholder to the vendor, but neither the cardholder nor MAAMC could provide sufficient documentation to support this assertion. Finally, MAAMC could not provide documentation of the deliverables for these payments to support that services were received from the vendor.

According to MAAMC's *Accounting Policies and Procedures Manual*, the CPC should be used exclusively for official MAAMC business, and all charges should be appropriately documented, supported, and approved. The *Manual* further states that any charges not deemed for MAAMC business are the responsibility of the cardholder.

Recommendation 4

We recommend that MAAMC

- a. review all CPC payments for propriety and ensure that sufficient supporting documentation was/is submitted by cardholders, including for prior activity that was not routinely subject to review; and**
- b. consult with the Office of the Attorney General – Criminal Division before taking any actions related to the questionable payments noted.**

⁸ Our 28 CPC test items consisted of 25 payments totaling \$7,415 made under the current CPC contractor, and 3 payments totaling \$165 made under one of the prior CPC contractors.

Finding 5

MAAMC did not consider participating in the Statewide CPC program and did not establish sufficient policies and procedures over its independently procured CPC program.

Analysis

MAAMC did not consider participating in the Statewide CPC program and did not establish sufficient policies and procedures over its independently procured CPC program. As noted above, MAAMC entered into several contracts for its own CPC program administrator. Our review of the MAAMC's CPC program contract disclosed that it did not include certain reporting capabilities that were available with the Statewide CPC program, and its CPC policies and procedures did not include critical procedures and controls established in COM's *Corporate Purchasing Card Policy and Procedures Manual*.

Specifically, MAAMC's policies and procedures did not require periodic reviews of Level-3 data. Level-3 data, when reported by merchants, provides detailed purchasing information, including invoice level line-item details (such as item descriptions and item quantities). We were advised by MAAMC management that the current CPC program administrator did not offer Level-3 data, which was not a consideration when selecting the administrator. The policies also did not require employees to sign cardholder agreements prior to being issued cards to document that employees agreed to comply with program policies. Furthermore, while MAAMC's policies required receipts for purchases, they did not specify the types of documentation required to be provided by cardholders to support the purpose of the transaction.

COM's *Corporate Purchasing Card Policy and Procedures Manual* includes best practices for administering CPC programs, such as requiring monthly supervisory reviews of Level-3 transaction reports, specifying supporting documentation requirements, and requiring that cardholders sign cardholder agreements to indicate their acknowledgment and agreement to comply with program policies. In response to our inquiries, COM advised that MAAMC is not eligible to participate in the Statewide CPC program because it does not utilize the State automated accounting system, but MAAMC can piggyback on the Statewide CPC administrator contract.

Recommendation 5

We recommend that MAAMC

- a. consider utilizing the Statewide CPC administrator contract to obtain enhanced capabilities to monitor its card activity; and**

- b. modify the CPC policy to require employees to sign cardholder agreements prior to being issued CPCs, specify supporting documentation requirements, and incorporate the use of Level-3 data as part of the monthly supervisory review.**

Cash Receipts

Finding 6

MAAMC did not establish adequate accountability and control over cash receipts.

Analysis

MAAMC did not establish adequate accountability and control over cash receipts. MAAMC received cash receipts for purposes such as admission to the museum, contributions by charitable donors, grant awards, and Special Events rentals. According to MAAMC's records, fiscal year 2024 cash receipts totaled approximately \$4.6 million, which included electronic cash receipts totaling \$3.3 million and manual cash receipts totaling \$1.3 million. Our review of the manual cash receipts process disclosed the following conditions:

- Cash receipts were not restrictively endorsed and recorded immediately upon receipt. Specifically, our review disclosed that checks received in the mail were handled by at least one employee before a MAAMC finance department employee's restrictive endorsement. Furthermore, our test of 10 deposits⁹ containing 56 checks totaling approximately \$202,000, identified 6 checks totaling approximately \$13,000 included in 3 deposits which were not recorded upon receipt.
- Cash receipts were not always deposited timely, as required. For example, our aforementioned test disclosed that 27 checks totaling \$137,500 included in 9 deposits were deposited 4 to 10 days after initial receipt. We could not determine if the 6 checks referenced above were deposited timely because they were not included in MAAMC's initial record of collections. We were advised by MAAMC personnel that it was impractical to make more frequent physical deposits due to limited staffing.
- MAAMC did not perform independent verifications of recorded cash receipts to deposits. While MAAMC finance department personnel advised us that

⁹ Test items were selected based on the materiality of collections received and a distribution amongst deposit periods.

they performed monthly bank reconciliations, they did not trace items on the initial record of receipt to the bank.

The aforementioned conditions were caused, at least in part, because MAAMC's *Accounting Policies and Procedures Manual* was not sufficiently comprehensive. Specifically, while the Manual required checks to be recorded and deposited within 72 hours of receipt and segregation of the aforementioned incompatible duties, it did not require restrictive endorsement, or an independent verification that recorded cash receipts were deposited. Such requirements are included in the COM's *Accounting Policies and Procedures Manual*.

Recommendation 6

We recommend that MAAMC establish comprehensive policies and procedures to ensure that

- a. cash receipts are recorded and restrictively endorsed immediately upon receipt and deposited timely, and**
- b. verification of cash receipts to deposit is performed and documented by an employee independent of the cash receipts process.**

Procurement and Disbursements

Finding 7

MAAMC did not establish sufficient controls over disbursements, maintained an inventory of pre-signed checks, and did not adequately secure blank check stock.

Analysis

MAAMC did not establish sufficient controls over disbursements, maintained an inventory of pre-signed checks, and did not adequately secure blank check stock. According to MAAMC's records, non-payroll disbursements totaled approximately \$6.6 million during fiscal years 2022 through 2024. MAAMC uses a third-party software to account for its disbursements and process and print related checks. Our review of the procedures and controls for these disbursements disclosed the following conditions:

- A MAAMC management employee could unilaterally process checks without any independent review and approval. Specifically, the employee had unrestricted access to MAAMC's financial system and was responsible for signing checks and performing the monthly bank reconciliations which were not subject to documented independent supervisory review and approval. Our

test of five disbursements¹⁰ totaling approximately \$96,600 did not identify any improper payments.

- MAAMC pre-signed checks and did not adequately secure its blank check stock. During our fieldwork, we observed a supply of blank checks in MAAMC's safe that had been signed by an authorized check signer. MAAMC advised us that the pre-signed checks were kept on-hand in case of an emergency when an authorized check signer was not available. Additionally, blank checks were maintained unsecured in the office of a finance department employee. Maintaining a supply of pre-signed and unsecured checks could result in unauthorized disbursements being processed without timely detection.

MAAMC's *Accounting Policies and Procedures Manual* requires the segregation of critical functions to ensure effective checks and balances. The *Manual* further requires all unused checks to be secured, and access restricted to authorized personnel. Prudent business practice dictates that there should not be stock of pre-signed checks.

Recommendation 7

We recommend that MAAMC

- a. ensure cash disbursement processes are adequately segregated and that supervisory reviews of the related reconciliations are documented; and**
- b. ensure check stock is adequately secured, and refrain from maintaining a supply of pre-signed checks.**

Finding 8

MAAMC's procurement policy did not require public solicitation of contracts and the publishing of the related awards.

Analysis

MAAMC's procurement policy did not require public solicitation of contracts and the publishing of the related awards. State law requires each agency with an exemption from State procurement regulations, such as MAAMC, to have written policies and procedures for its exempt procurements that address the procurement methods to be used; requirements for publishing solicitations and awards; procurement goals (such as minority business enterprise participation); and approval process.

¹⁰ We selected disbursements from contracts which were selected based on significance and risk.

Our review disclosed that MAAMC's procurement policy required at least two proposals for procurements over \$10,000, but did not require public solicitation for the contracts or publication of the related awards. Our review of 3 procurements¹¹ with payments totaling \$982,000 disclosed that MAAMC awarded the contracts (for consulting, catering, and security services) by directly soliciting vendors instead of publicly soliciting the services. MAAMC also did not publish notice of the awards, such as on *eMaryland Marketplace Advantage (eMMA)*¹² or the Reginald F. Lewis Museum website.

Public solicitations and publication of contract awards helps ensure that goods and services were procured in the most cost advantageous manner and promotes transparency over MAAMC's procurements. In this regard, State laws and regulations require most State agencies to publish competitive solicitations and notice of the related award for contracts that exceed \$50,000 on *eMMA*.

Recommendation 8

We recommend that MAAMC enhance its procurement policy to require public solicitations and publishing of contract awards.

¹¹ We selected the procurements based on significance and risk.

¹² *eMMA* is an internet-based, interactive procurement system managed by the Department of General Services.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland African American Museum Corporation (MAAMC) for the period beginning April 1, 2021 and ending January 30, 2025. 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 MAAMC'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, corporate purchasing card activity, cash receipts, and museum collections inventories. Furthermore, we reviewed a matter that was disclosed to us by MAAMC regarding the possible misappropriation of certain Special Events collections. We also determined the status of the findings contained in our preceding audit report.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of April 1, 2021 to January 30, 2025, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MAAMC's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We performed various data extracts of pertinent information (such as expenditure data and museum collection inventory) from MAAMC's internal accounting records. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the 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.

MAAMC'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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MAAMC, were considered by us during the course of this audit.

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

MAAMC'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 MAAMC regarding the results of our review of its response.

APPENDIX



REGINALD F. LEWIS MUSEUM OF
MARYLAND AFRICAN
AMERICAN HISTORY
& CULTURE

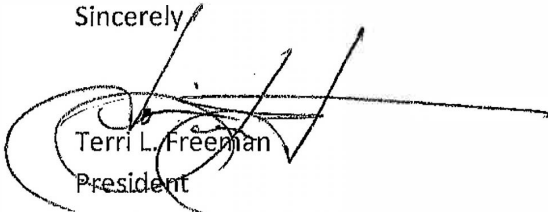
August 14, 2025

Brian S. Tanen, CPA, CFE
Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly
351 W Camden St Ste 400
Baltimore MD 21201

Dear Mr. Tanen,

Please find attached the Agency Response Form in response to the MAAMC Draft Report provided earlier this month. I'd be happy to discuss any questions or concerns you may have.

Sincerely,



Terri L. Freeman
President

Maryland African American Museum Corporation

Agency Response Form

Museum Collections of Art and Historical Artifacts

Finding 1

The Maryland African American Museum Corporation (MAAMC) did not establish adequate accountability and controls over its art and historical artifacts.

We recommend that MAAMC

- a. comply with its policy to ensure that a value is assigned and recorded for all items in its collection (repeat);
- b. perform independent physical inventories every three years, as required, and update the detailed records accordingly (repeat); and
- c. ensure that employees who maintain the detail records do not have physical access to the collections or responsibility for performing physical inventories (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	6/26
Please provide details of corrective action or explain disagreement.	We have hired interns to assign fair market value estimates per IRS guidelines for the existing backlog of un-valued objects. All new items are assigned a value at the time of acquisition. All values are recorded in our collections management system.		
Recommendation 1b	Agree	Estimated Completion Date:	7/26
Please provide details of corrective action or explain disagreement.	We are undertaking a physical inventory of collections with approximately 10% completion. All loans from other museums and individuals have been located and paperwork identified reducing insurance liability considerably. All records are being updated as the inventory is completed.		
Recommendation 1c	Agree	Estimated Completion Date:	11/2024
Please provide details of corrective action or explain disagreement.	Due to financial constraints, hiring a second employee to work with collections is not feasible and therefore this recommendation cannot be fully resolved.		

Maryland African American Museum Corporation

Agency Response Form

	However, MAAMC has remediated risk in this category greatly with the introduction of a new collections management system (CMS). Implemented in November 2024, it allows for a much greater degree of transparency amongst a wider array of museum staff including: Chief Curator, Curator, Preparator, Programmer, and Collections Manager. Another important aspect of the new CMS is that it has a variety of security controls to implement to make sure no one overrides data inappropriately, deletes or adds records inappropriately, or makes changes without leaving a traceable record. This vastly improves our information security and ensures that staff members beyond the Collections Manager have independent means of verifying proper use of the CMS and procedures by the Collections Manager. In short, the new system makes it a lot harder for a bad actor to steal objects or makeup data without others being readily able to see the problem and report it.
--	--

Maryland African American Museum Corporation

Agency Response Form

Special Events

Finding 2

MAAMC did not take sufficient action when it identified questionable activity by one employee.

We recommend that MAAMC conduct sufficient investigations when it becomes aware of questionable employee activity and

- a. consult with the Office of the Attorney General – Criminal Division before taking any actions related to the questionable activities noted above; and
- b. notify the Governor’s Chief Legal Counsel of the aforementioned matter and, ensure any future instances of possible criminal or unethical conduct are referred to the appropriate entities in accordance with the aforementioned Executive Order.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	MAAMC discussed the questionable activity of the former employee with the Office of the Attorney General. We asked if the questionable activity should be reported to any other department of the State of Maryland and were told that no further reporting was required.		
Recommendation 2a	Agree	Estimated Completion Date:	7/2025
Please provide details of corrective action or explain disagreement.	MAAMC has spoken with the Office of the Attorney General – Criminal Division and are awaiting their action. We will take no further action until their review is complete.		
Recommendation 2b	Agree	Estimated Completion Date:	n/a
Please provide details of corrective action or explain disagreement.	MAAMC will follow this mandate if future occurrences arise.		

Maryland African American Museum Corporation

Agency Response Form

Finding 3

MAAMC did not establish sufficient accountability over its Special Events activities.

We recommend that MAAMC establish sufficient internal controls over Special Events activity including

- a. adequately segregating duties over Special Events activities;**
- b. establishing accountability over pre-paid parking stickers; and**
- c. ensuring Special Events records are comprehensive, including accurate records of contracts, invoices, and cash receipts.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	Special Event rentals were nonexistent during Covid and grew rapidly, by approximately 300% during the period of the audit. There was also 100% turnover in the finance department during this period. This provides some context for the lack of best practices and segregation of duties.		
Recommendation 3a	Agree	Estimated Completion Date:	11/2025
Please provide details of corrective action or explain disagreement.	MAAMC has already increased staffing in the special events department to facilitate better separation of duties. Currently the vacancy in the manager position makes the division of sales vs. accounting difficult. Once the new hire is on board, we will have two positions: the manager handling sales and contracts, the other invoicing and receipts for the sales.		
Recommendation 3b	Agree	Estimated Completion Date:	7/2025
Please provide details of corrective action or explain disagreement.	Parking tickets are no longer in the possession of the staff member who provides the tickets to customers; they are kept in the safe with only the staff accountant having access, maintaining inventory, purchasing tickets as needed, and supplying them to special events staff for customers with proper documentation.		
Recommendation 3c	Agree	Estimated Completion Date:	9/2025
Please provide details of corrective action or explain disagreement.	Since FY24, when a new director of finance was hired, there has been a plan to move all special events-related accounting to the main accounting system. All invoicing for special event rentals will be processed through the accounting system instead of by hand. All accounts receivable, contracts, and receipts will be generated, reviewed, and filed in the system.		

Maryland African American Museum Corporation

Agency Response Form

Maryland African American Museum Corporation

Agency Response Form

Corporate Purchasing Cards

Finding 4

MAAMC did not ensure CPC transactions were adequately supported resulting in the failure to identify certain questionable CPC payments made by two MAAMC cardholders.

We recommend that MAAMC

- a. review all CPC payments for propriety and ensure that sufficient supporting documentation was/is submitted by cardholders, including for prior activity that was not routinely subject to review; and**
- b. consult with the Office of the Attorney General – Criminal Division before taking any actions related to the questionable payments noted.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	6/2025
Please provide details of corrective action or explain disagreement.	Though all assigned CPC supervisors have been reviewing and approving or denying all charged transactions on a monthly basis since October of 2023, they have been reminded that this is a serious duty that should include a vetting of the substantiation for each transaction.		
Recommendation 4b	Agree	Estimated Completion Date:	7/2025
Please provide details of corrective action or explain disagreement.	MAAMC has spoken with the Office of the Attorney General – Criminal Division and are awaiting their action. We will take no further action until their review is complete.		

Maryland African American Museum Corporation

Agency Response Form

Finding 5

MAAMC did not consider participating in the Statewide CPC program and did not establish sufficient policies and procedures over its independently procured CPC program.

We recommend that MAAMC

- a. consider utilizing the Statewide CPC administrator contract to obtain enhanced capabilities to monitor its card activity; and**
- b. modify the CPC policy to require employees to sign cardholder agreements prior to being issued CPCs, specify supporting documentation requirements, and incorporate the use of Level-3 data as part of the monthly supervisory review.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	Why should we have considered participating in a program we are not allowed to participate in? This report states that though we may be able to piggyback on the state's contract with their CPC administrator, we are not allowed to participate in the Statewide CPC program		
Recommendation 5a	Agree	Estimated Completion Date:	9/2025
Please provide details of corrective action or explain disagreement.	MAAMC will research the Comptroller of Maryland's Corporate Purchasing Card administrator for a potential contract. Our current program has no associated cost to MAAMC and includes cash back of approximately \$7,000 annually. Most vendors charge a fee for administering a credit card program. As a 501(c)(3) nonprofit organization, it would not be in MAAMC's best interest to switch from a revenue-generating program to one which would charge us for their services. In addition, there are limits on the state's spending that would not meet our needs; transactions are limited to \$5,000 per occurrence. Lastly, our current provider provides an automated download into our accounting system. If the state's administrator cannot provide all that our current provider does, it would not be beneficial for us to change providers.		
Recommendation 5b	Agree	Estimated Completion Date:	9/2025
Please provide details of corrective action or explain disagreement.	MAAMC agrees that cardholders should be required to sign cardholder agreements prior to being issued credit cards as opposed to only sharing policies with them. The agreement will specific the type of		

Maryland African American Museum Corporation

Agency Response Form

	substantiation required for transactions. This will be implemented in 9/2025. Level-3 data is not in common use by organizations of our size. None of the banks through which MAAMC has or has had CPCs recognize what Level-3 documentation is or do not provide it to nonprofit organizations. Though this may be common at larger entities, like the state, we haven't been successful in finding a provider with level 3 reports, cash back, and no fees. We will continue to investigate a vendor that would allow for all.
--	--

Maryland African American Museum Corporation

Agency Response Form

Cash Receipts

Finding 6

MAAMC did not establish adequate accountability and control over cash receipts.

We recommend that MAAMC establish comprehensive policies and procedures to ensure that

- a. cash receipts are recorded and restrictively endorsed immediately upon receipt and deposited timely, and**
- b. verification of cash receipts to deposit is performed and documented by an employee independent of the cash receipts process.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 6a	Agree	Estimated Completion Date:	9/2025
Please provide details of corrective action or explain disagreement.	MAAMC began restrictively endorsing all checks at the time of receipt in February 2025 and date stamping receipts in July 2025. The Finance Committee of MAAMC's Board of Directors has approved a change in the required timing of deposits in the Accounting Manual. All cash receipts will be deposited in the bank within one week of receipt. We will work with our bank to set up remote deposit capture so that larger receipts can be deposited more frequently.		
Recommendation 6b	Agree	Estimated Completion Date:	7/2025
Please provide details of corrective action or explain disagreement.	Previously, the initial recordation of collections was in a spreadsheet editable by many staff members including the staff accountant who makes deposits at the bank. The new system will have the initial receiver date stamping and scanning all receipts thereby disallowing anyone from editing the initial recordation. The director of finance will reconcile the scans to the deposits on a monthly basis to ensure all receipts were received at the bank.		

Maryland African American Museum Corporation

Agency Response Form

Procurement and Disbursements

Finding 7

MAAMC did not establish sufficient controls over disbursements, maintained an inventory of pre-signed checks, and did not adequately secure blank check stock.

We recommend that MAAMC

- a. ensure cash disbursement processes are adequately segregated and that supervisory reviews of the related reconciliations are documented; and**
- b. ensure check stock is adequately secured, and refrain from maintaining a supply of pre-signed checks.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	It is no longer true that a management employee can unilaterally process checks and the employee was always forbidden from doing so. There is no evidence of misuse of this power.		
Recommendation 7a	Agree	Estimated Completion Date:	6/2025
Please provide details of corrective action or explain disagreement.	The cash disbursement process is adequately segregated for an organization of our size. Though there have been reviews of the reconciliation reports, the review was not documented. The President now reviews reconciliation reports and documents such; the Treasurer of the Board of Directors periodically requests reports for review.		
Recommendation 7b	Agree	Estimated Completion Date:	12/2024
Please provide details of corrective action or explain disagreement.	Upon notification, during the audit, that pre-signed checks were available and blank checks were unsecured, both situations were remediated. All pre-signed checks were destroyed, and it was made clear that this practice was not allowed. A new safe was purchased and moved to a different location so that the staff accountant's office, where unsigned checks are held, could be kept locked.		

Maryland African American Museum Corporation

Agency Response Form

Finding 8

MAAMC's procurement policy did not require public solicitation of contracts and the publishing of the related awards.

We recommend that MAAMC enhance its procurement policy to require public solicitations and publishing of contract awards

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 8	Agree	Estimated Completion Date:	9/2025
Please provide details of corrective action or explain disagreement.	We are looking into using the state's eMMA system to facilitate procurement. Our procurement policy will be updated to require public solicitations and publishing of contract awards.		

AUDIT TEAM

Catherine M. Clarke, CPA, CIA, CFE
Audit Manager

Thea A. Chimento, CFE
Jordan Duke, CFE
Senior Auditors