

Audit Report

Department of Health and Mental Hygiene Alcohol and Drug Abuse Administration

October 2014



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

October 7, 2014

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Alcohol and Drug Abuse Administration (ADAA) of the Department of Health and Mental Hygiene for the period beginning July 15, 2011 and ending June 30, 2014. ADAA develops, establishes, regulates, promotes, monitors, and supports prevention, treatment, and rehabilitation programs related to the misuse of alcohol and drugs. ADAA awards substance abuse treatment grants to local health departments and private providers, such as nonprofit entities, throughout Maryland.

Our audit did not disclose any findings.

We wish to acknowledge the cooperation extended to us during the course of this audit by ADAA.

Respectfully submitted,

A handwritten signature in black ink, reading "Tom J. Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Alcohol and Drug Abuse Administration (ADAA), within the Department of Health and Mental Hygiene (DHMH), develops, establishes, regulates, promotes, monitors, and supports prevention, treatment, and rehabilitation programs related to the misuse of alcohol and drugs. ADAA also promotes and conducts substance abuse related education, training, data collection, and research. ADAA awards substance abuse treatment grants to local health departments and private providers, such as nonprofit entities, throughout Maryland. According to the State's records, during fiscal year 2013, ADAA's expenditures totaled \$156 million, of which \$147.8 million related to grants for alcohol and drug abuse programs. ADAA does not provide direct treatment services.

Organizational Change

Chapter 460, Laws of Maryland, 2014, effective July 1, 2014, merged the Mental Hygiene Administration and the Alcohol and Drug Abuse Administration to establish the Behavioral Health Administration within DHMH. According to the Fiscal and Policy Note accompanying the related legislation, this change was prompted, in part, by DHMH's examination of the issue of integrating substance use disorders and mental health care to address fragmentation in the delivery and government financing of those services. This organizational change had no impact on our audit since it occurred after the end of our audit period (June 30, 2014).

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated June 12, 2012. We determined that ADAA satisfactorily addressed this finding.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of ADAA's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

A draft copy of this report was provided to ADAA. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Alcohol and Drug Abuse Administration (ADAA) of the Department of Health and Mental Hygiene (DHMH) for the period beginning July 15, 2011 and ending June 30, 2014. 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 ADAA'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 cash receipts and grant awards and monitoring. We also determined the status of the finding contained in our preceding audit report.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of ADAA's operations, and tests of transactions. We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data). The 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 objectives. The reliability of data used in this report for background or informational purposes was not assessed.

Our audit did not include certain support services provided to ADAA by DHMH's Office of the Secretary. These support services (such as payroll, purchasing,

grant disbursements, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of the Office of the Secretary. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of ADAA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including ADAA.

ADAA'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.

AUDIT TEAM

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