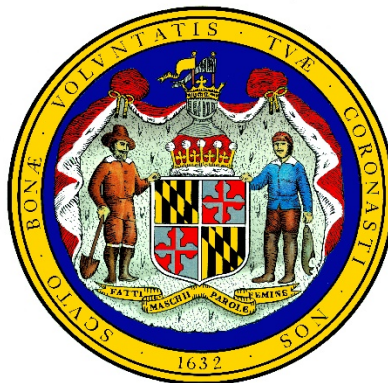


Audit Report

Maryland Commission on Civil Rights

October 2024



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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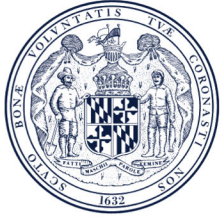
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.state.md.us
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE
Legislative Auditor

October 30, 2024

Senator Clarence K. Lam, M.D., 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 Commission on Civil Rights (MCCR) for the period beginning March 15, 2019 and ending June 16, 2023. MCCR is responsible for investigating and resolving cases of discrimination in the areas of employment, housing, public accommodations, State contracts, commercial leasing, and health services. MCCR also provides education and outreach services to communicate current and accurate information on issues affecting equal access and opportunity protected under State law.

Our audit disclosed that MCCR did not always assign employment and public accommodation complaints to an investigator and issue written findings timely. Our test of 20 cases open for more than one year noted that MCCR did not assign 13 cases to an investigator until 143 to 482 days after it authorized the complaint. Additionally, MCCR did not issue a written finding for 12 tested cases within 300 days of being assigned to an investigator as required, including two cases where the written finding was issued more than six years after assignment. Furthermore, MCCR did not always document required supervisory review and approval of its determinations not to investigate certain complaints.

In addition, we noted deficiencies in MCCR's internal controls over disbursements. Specifically, our test of 20 disbursements totaling \$99,604 disclosed that 10 disbursements totaling \$32,294 were not supported with invoices, written agreements, or other documentation. MCCR also lacked required critical controls over corporate purchasing cards resulting in the improper use of certain cards after the cardholders left State service and unsupported and questionable transactions, certain of which have been referred to the Office of the Attorney General – Criminal Division.

Finally, MCCR hosted a “Biennial Civil Rights and Fair Housing Gala” (Gala) in which it sold tickets and sponsorships, and incurred expenditures to pay the costs of the event. Our review noted that MCCR did not establish adequate accountability over funds received and expenses incurred for the Gala. MCCR’s lack of proper accounting and control over Gala revenue and expenses is significant because it ultimately reallocated federal funds totaling \$30,000 to cover Gala expenses that were intended to help investigate complaints.

MCCR’s response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues. In accordance with our policy, we have edited MCCR’s response to remove vendor names or products.

We wish to acknowledge the cooperation extended to us during the audit by MCCR and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

Background Information	5
Agency Responsibilities	5
Special Investigations Unit Review and Referral	6
Termination of Management Employee	7
Concerns Regarding Timeliness of the Maryland Commission on Civil Rights (MCCR) Case Investigations	7
Law Change – Attorney General’s Civil Rights Division	7
Findings and Recommendations	8
Investigations of Potential Violations of Civil Rights Laws	
Finding 1 – MCCR did not always assign employment and public accommodation complaints to an investigator and issue related written findings timely, and decisions to reject complaints were not always subject to supervisory review and approval.	9
Disbursements	
Finding 2 – MCCR could not provide documentation to support the propriety of certain vendor disbursements.	10
Corporate Purchasing Cards	
Finding 3 – MCCR lacked required critical controls over corporate purchasing cards resulting in the improper use of certain cards after the cardholders left State service and numerous unsupported transactions.	11
Biennial Civil Rights and Fair Housing Gala	
Finding 4 – MCCR had not established adequate accountability and control over Gala revenue and expenses resulting in the inability to account for certain funds or justify certain expenditures. As a result, federal funds intended for pursuing civil rights complaints were reallocated to cover certain Gala expenses.	14
Cash Receipts	
Finding 5 – MCCR had not established adequate accountability and control over collections.	16

Audit Scope, Objectives, and Methodology

18

Agency Response

Appendix

Background Information

Agency Responsibilities

In accordance with the State Government Article of the Annotated Code of Maryland, the Maryland Commission on Civil Rights (MCCR) was established as an independent unit of State government to further equal opportunities and to promote better civil rights by seeking to eliminate discrimination throughout the State. MCCR is responsible for investigating and resolving cases of discrimination in the areas of employment, housing, public accommodations, State contracts, commercial leasing, and health services. MCCR also provides education and outreach services to communicate current and accurate information on issues affecting equal access and opportunity protected under State law. MCCR is governed by a 9-member Commission, appointed by the Governor to staggered 6-year terms, subject to confirmation by the Maryland Senate.

According to MCCR's records, during fiscal year 2023, MCCR initiated 661 civil rights cases and closed 798 cases that were opened during, or prior to, fiscal year 2023. According to the State's records, during fiscal year 2023, MCCR's expenditures totaled approximately \$4.5 million, of which the majority represented payroll costs (see Figure 1 on the following page). These expenditures were primarily funded by approximately \$3.2 million in general funds and \$1.2 million in federal funds (primarily for funding of expenditures related to cases involving fair housing and employment discrimination).

Figure 1
MCCR Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	32	97.0%
Vacant	1	3.0%
Total	33	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$3,699,146	82.1%
Technical and Special Fees	211,900	4.7%
Operating Expenses	592,982	13.2%
Total	\$4,504,028	
Fiscal Year 2023 Funding Sources		
	Funding	Percent
General Fund	\$3,214,567	71.4%
Special Fund	14,250	0.3%
Federal Fund	1,230,211	27.3%
Reimbursable Fund	45,000	1.0%
Total	\$4,504,028	

Source: State financial and personnel records

Special Investigations Unit Review and Referral

During our fieldwork, we identified certain questionable corporate purchasing card (CPC) activity, including CPC transactions on cards assigned to individuals that were no longer employed at MCCR, which are further described in Finding 3. As a result, our Special Investigation Unit conducted an expanded review of CPC transactions. 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.

Termination of Management Employee

During our fieldwork, a management employee with responsibility for various fiscal activities (such as, approval of invoice disbursements, issuance of CPCs, approval of CPC purchases, and supervision of the cash receipt processes) was terminated. MCCR's documentation in the employee's personnel file did not provide a specific reason for the termination.

Concerns Regarding Timeliness of MCCR Case Investigations

The April 2021, 2022, and 2023 *Joint Chairmen's Reports* required MCCR to provide reports on investigator staffing and caseload information due to concerns over the lack of timeliness to assign and complete cases. In its most recent report dated September 15, 2023, MCCR stated that the most significant factor impacting timeliness of case processing continues to be a lack of staff resources and that it would need authorization to hire additional staff. Furthermore, MCCR stated that it was pursuing options to address timeliness of case processing (such as, streamlining processes, and training staff and requesting additional staff).

MCCR's report stated that it had 264 unassigned employment cases, which included 127 cases that were referred by the Federal Equal Employment Opportunity Commission and 137 cases that originated within MCCR. Additionally, MCCR stated that there were 594 open cases, which included 353 employment cases, 183 housing cases, 53 public accommodation cases, and 5 other types of cases. Finally, the report indicated there were 238 cases that were open for over one year, which included 153 employment cases. See Finding 1 related to MCCR's processing of case investigations.

Law Change – Attorney General's Civil Rights Division

Effective October 1, 2023, Chapter 629, Laws of Maryland 2023 authorized the Office of the Attorney General, (OAG) to investigate, prosecute, and remediate certain civil rights violations. This law required the OAG to coordinate with the MCCR in areas of overlapping jurisdiction. Therefore, in July 2023, MCCR and the OAG entered into an agreement to formalize its cooperative relationship concerning the investigation of civil rights complaints and to promote the sharing of information (such as confidential or privileged materials and written work products) to support the efficient and effective enforcement of Maryland and Federal civil rights laws.

Findings and Recommendations

Investigations of Potential Violations of Civil Rights Laws

Background

The Maryland Commission on Civil Rights (MCCR) receives complaints of potential violations of civil rights laws through its website, by phone, email, fax, in person, or the mail. MCCR also receives cases to investigate from the Federal Equal Employment Opportunity Commission (EEOC) and the U.S Department of Housing and Urban Development (HUD) in accordance with related federal contracts for which MCCR is paid to investigate the cases. According to MCCR records, during fiscal year 2023, it received 661 civil rights complaints, including 442 cases related to employment, 167 cases related to housing, 46 cases related to public accommodation, and 6 cases related to State contracts.

MCCR intake personnel are responsible for determining if complaints should be accepted or rejected. MCCR can reject a complaint if it determines it does not have jurisdiction to investigate. According to MCCR's policy, rejected complaints are reviewed and approved by supervisory personnel. If the complaint is accepted, State regulations require MCCR to authorize a complaint by providing written notice to a complainant advising them of their rights and responsibilities within 120 days of MCCR receiving the complaint. Once the complaint is authorized, MCCR advised us that its goal is to immediately assign the complaint to an investigator.

MCCR investigators perform procedures, such as interviews with the complainant and witnesses, and analyzing applicable documents to determine the facts of the case. After completion of the investigation, the investigator prepares a written report with the positions of the complainant and respondent, and the results of the investigation. MCCR's internal guidelines require the issuance of a written finding for cases within 300 days after the case is assigned to an investigator. If the written finding discloses civil rights violations occurred, the case is referred to MCCR's legal counsel where it can be resolved through mediation, settlement, or other legal action (such as, lawsuits).

We reviewed MCCR procedures for investigations of employment and public accommodation complaints.¹ According to MCCR's records, as of August 7,

¹ Although housing complaints were significant, we did not review procedures for investigations of these complaints since MCCR handled them in accordance with agreements established by HUD. Therefore, we focused our review on employment and public accommodation complaints since they were handled in accordance with MCCR's internal guidelines.

2023, there were 425 open employment and public accommodation cases, including 157 cases (37 percent) that had been open for over one year from the date the complaint was assigned to an investigator.

Finding 1

MCCR did not always assign employment and public accommodation complaints to an investigator and issue related written findings timely, and decisions to reject complaints were not always subject to supervisory review and approval.

Analysis

MCCR did not always assign employment and public accommodation complaints to an investigator and issue related written findings timely, and decisions to reject complaints were not always subject to supervisory review and approval.

Specifically, our test of 20 cases (19 employment and 1 public accommodation) that MCCR records indicated were open for more than one year as of August 7, 2023 disclosed the following:

- MCCR did not assign 13 cases to an investigator in a timely manner. Specifically, the cases were assigned between 143 days to 482 days after MCCR had authorized the complaint. As noted in its response to the most recent *Joint Chairmen's Report* that addressed this issue, MCCR stated that the delays in assigning cases was due to staffing shortages. This condition may also have been caused, at least in part, because MCCR written procedures did not include a specific timeline to assign cases to an investigator. Rather, MCCR advised its unwritten goal was to immediately assign the complaint to an investigator once a complaint is authorized.
- MCCR did not issue a written finding within 300 days of the case being assigned to an investigator for 12 cases as required by its internal guidelines (including 7 that were also not assigned to an investigator timely). Specifically, as of August 2023, MCCR had not issued a written finding for 10 cases outstanding between 333 days and more than 4 years since being assigned to an investigator and for the remaining 2 cases, the written finding was issued more than 6 years after being assigned to an investigator.

Additionally, MCCR did not always document required supervisory review and approval of determinations to reject complaints for investigation. According to MCCR records 192 complaints were rejected during the period January 2023 through May 2023. Our test of 10 rejected complaints disclosed that 8 complaints did not have documentation of the required supervisory review and approval.

Recommendation 1

We recommend that MCCR

- a. ensure that employment and public accommodation cases are assigned to an investigator upon authorization and establish written criteria for timely assignment,**
- b. issue written findings for cases within 300 days from assignment, and**
- c. document supervisory review and approval for rejected complaints.**

Disbursements

Finding 2

MCCR could not provide documentation to support the propriety of certain vendor disbursements.

Analysis

MCCR could not provide documentation to support the propriety of certain vendor disbursements. Our test of 20 disbursements totaling \$99,604,² made during the period June 2019 through June 2023, disclosed that MCCR could not provide invoices, written agreements, or other documentation to support the propriety for 10 disbursements totaling \$32,294. Although we were subsequently able to obtain invoices from the Comptroller of Maryland – General Accounting Division, without the supporting documentation we could not readily determine the propriety of the related payments.

According to State records, MCCR processed vendor disbursements through the State’s financial management information system totaling \$500,575 during our audit period. The Comptroller of Maryland’s *Accounting Procedures Manual* requires agencies to ensure that invoices agree with supporting documentation prior to payment.

Recommendation 2

We recommend that MCCR ensure that disbursements are properly supported and appropriate, including those noted above.

² Our selection of test items was based on the significance of vendor payments during the period June 2019 through June 2023.

Corporate Purchasing Cards (CPC)

According to MCCR records, during our audit period there were four CPC cardholders with related purchases totaling \$635,755. Our initial review of CPC activity identified certain concerns including missing or questionable supporting documentation. In response to these concerns, our Special Investigation Unit (SIU) conducted an expanded review of CPC transactions and procedures. Specifically, we selected 60 CPC transactions for testing based on risk (such as, purchases made on cards after the cardholder separated employment from MCCR, purchases without Level-3 data, and Level-3 purchase descriptions that appeared questionable). In addition, we reviewed cardholder logs and credit card statements related to these purchases.

Based on our review and the conditions noted below, we referred certain of these 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.

Finding 3

MCCR lacked required critical controls over CPCs resulting in the improper use of certain cards after the cardholders left State service and numerous unsupported transactions.

Analysis

MCCR lacked required internal controls over CPCs resulting in the improper use of certain cards after the cardholders left State service and numerous unsupported transactions.

- CPC transactions were not always supported for the 4 cardholders. Specifically, our test of 60 CPC transactions totaling \$53,768³ disclosed that 31 transactions totaling \$22,464 did not have supporting documents, such as receipts, or invoices for the transactions. Without proper supporting documentation we were unable to determine if these transactions were for legitimate purchases. In response to our inquiries MCCR management could not provide any explanation for the purchases to help determine if they were proper.
- Monthly CPC cardholder logs and credit card statements were not always available, completed, signed by the cardholder, or reviewed and signed by the

³ Our test selection of CPC purchases was based on risk (such as purchases without Level-3 data, and Level-3 purchase descriptions that appeared questionable).

supervisor as required. Specifically, our review of 34 monthly cardholder logs associated with the aforementioned 60 CPC transactions during the period April 2019 through August 2023, disclosed that MCCR could not provide 13 monthly logs, and 6 monthly logs were not signed by a supervisor to document their review of the underlying transactions.

Furthermore, when logs and related statements were available, the amounts recorded on the logs did not always agree to the related bank credit card statements. For example, a cardholder recorded purchases totaling \$12,184 on a monthly log when the corresponding bank credit card statement indicated charges totaling \$13,981, a difference of \$1,796. Our review of the credit card statement also noted several transactions that were not included on the log, such as a payment to a caterer totaling \$440. In response to our inquiries, MCCR management could not provide any explanation for the missing or unapproved monthly logs and amounts recorded on the log that did not agree to the related bank credit card statements.

- MCCR did not use available Level-3 purchasing data from the issuing bank to help determine the propriety of CPC transactions. This data, when reported by merchants, provides detailed purchasing information, including invoice-level line-item details (such as item descriptions and item quantities). We determined that Level-3 data was available for CPC transactions totaling \$351,818 during our audit period.
- MCCR did not always promptly cancel CPCs when the cardholders stopped working at MCCR. Our review disclosed that two cards for individuals who separated from MCCR employment in August 2022 and December 2022 remained active for approximately six months beyond the separation dates. Based on our review of transactional data obtained from the contractor administering the State's CPC program, we noted that collectively these cards were used to process 308 transactions totaling \$41,421 after the employees' separation.

MCCR management advised that some of these transactions were recurring charges (such as monthly subscriptions for postage), and some were made by other MCCR employees, including the supervisor responsible for approving cardholder transactions. Our limited review disclosed questionable purchases totaling \$5,508 made by other employees for items such as food, flowers, airline tickets, information technology services, and miscellaneous online items. Monthly cardholder logs and bank statements for purchases made on these cards were typically not available and therefore, we could not determine

if these purchases were proper and subject to independent review and approval.

The Comptroller of Maryland's *Corporate Purchasing Card Program Policy and Procedures Manual* requires the cardholder complete and sign a log of all CPC purchases and attach the related detailed support. Supervisory signature is required on the logs and related statements to certify that the CPC requirements have been followed, such as documentation existed for each purchase, and purchases were related to the nature and purpose of the agency. The *Manual* further requires State agencies to verify Level-3 data to transaction logs and document monthly reviews of Level-3 data to transaction logs as part of transaction monitoring. Finally, the *Manual* requires accounts of terminated employees be closed upon termination of employment.

Recommendation 3

We recommend that MCCR comply with the *Manual*. Specifically, MCCR should

- a. ensure CPC cardholders prepare complete and accurate CPC logs and include documentation to support the related transactions;**
- b. ensure cardholders and supervisors sign the CPC logs and related bank statements to indicate purchases are appropriate, and purchase amounts agree to the bank credit card statements;**
- c. incorporate the use of Level-3 data, when available, as a part of the monthly supervisory review to aid in the assessment of the propriety of CPC purchases;**
- d. promptly cancel cards assigned to individuals no longer employed by MCCR; and**
- e. obtain support for the aforementioned questionable transactions with no documentation and take appropriate action such as recovering the cost of any improper purchases.**

Biennial Civil Rights and Fair Housing Gala

Background

MCCR hosted a "Biennial Civil Rights and Fair Housing Gala" (Gala) on August 20, 2022.⁴ The Gala took place at a hotel ballroom and included dinner, alcoholic beverages, presentations by speakers, and various activities. According to minutes of MCCR's Commission meetings, over 340 individuals attended the

⁴ MCCR recently hosted another Gala in August 2024 which was subsequent to our audit fieldwork and was not subject to our review.

Gala. MCCR sold admission tickets for \$75 or \$125 (general admission or premium admission) and solicited sponsorships ranging from \$500 to \$20,000. Gala tickets and sponsorships could be purchased online through MCCR's website or via check and were to be deposited in one of two designated bank accounts.

Finding 4

MCCR had not established adequate accountability and control over Gala revenue and expenses resulting in the inability to account for certain funds or justify certain expenditures. As a result, federal funds intended for pursuing civil rights complaints were reallocated to cover certain Gala expenses.

Analysis

MCCR had not established adequate accountability and control over funds received and expenses incurred for the Gala.

- MCCR did not have any documentation to support the disposition of sponsorship revenue, certain of which could not be accounted for. According to MCCR records, \$32,000 should have been received from nine sponsors. Our review of State accounting records disclosed that MCCR only recorded deposits of \$19,000 for six sponsors. MCCR could not document the disposition of the remaining \$13,000 from the three other sponsors.
- MCCR was unable to provide documentation, such as detailed sales reports for online transactions, to support the number of tickets purchased and related payments received. According to State accounting records, MCCR collected \$16,376 through two commercial banks for the sale of Gala tickets. We attempted to determine whether all revenue was received and deposited but were unable to do so based upon the available information.
- MCCR did not maintain adequate records for bank accounts used to collect Gala ticket revenue. Specifically, MCCR did not have executed written agreements with two banks for accounts used for ticket revenue and did not retain bank statements for one of the bank accounts to support the disposition of the funds. Furthermore, MCCR could not document that these accounts were approved by the State Treasurer's Office (STO) as required. We subsequently confirmed with STO that it had approved these accounts.

In addition, our review of the State's financial management system revenue reports identified deposits totaling \$2,175 to a third bank account during the period April 2022 through August 2022. MCCR management could not document the disposition of amounts deposited into the account or provide

documentation such as the bank name, STO approval of the account, or bank statements. Based on our inquiries, MCCR contacted the STO which confirmed that the account was an e-commerce account previously used for the Gala and that related receipts were deposited to the State. The account was serviced by a vendor that was not procured or approved by STO for banking services and the account has subsequently been closed.

- MCCR did not maintain documentation to support Gala expenditures and could not readily determine the total cost of the Gala. Based on our review of State disbursement and CPC records, we identified approximately \$90,000 in payments for goods and services that appeared to be related to the Gala. Our test of six of these payments totaling \$60,010 (some of which were included in our testing noted in Findings 2 and 3) disclosed that three payments totaling \$14,200 did not have documentation to support the propriety of the amounts paid. For example, the invoice supporting a \$5,000 payment stated it was for a Gala event consultant. MCCR could not provide documentation such as a written agreement with the consultant or support for the work that was completed.

MCCR's lack of accounting for Gala revenue and expenses is significant because it ultimately reallocated federal funds intended to help investigate complaints to cover Gala expenses. Specifically, on September 26, 2022, MCCR requested the U.S. Department of Housing and Urban Development's Office of Fair Housing and Equal Opportunity (FHEO) to reallocate \$30,000 of administrative funds to help offset the Gala costs. According to FHEO's written approval, the funds were originally intended to cover the cost of hiring a contractual employee to assist in the review of housing complaints for litigation and probable cause review. On May 2, 2023, FHEO approved MCCR's request to reallocate the funds. The reallocation of these funds is significant because as noted on page 7, MCCR advised the legislature that staffing shortages are the most significant factor impacting timeliness of case processing.

Recommendation 4

We recommend that MCCR

- a. develop comprehensive procedures for future events to ensure all revenue and expenditures are properly accounted for and related documentation is retained;**
- b. investigate and account for all revenue collected for the Gala, including the aforementioned unaccounted for sponsor payments and ticket sales; and**
- c. ensure future bank accounts are approved by the STO, bank agreements are properly executed, and related activity is monitored.**

Cash Receipts

Finding 5

MCCR had not established adequate accountability and control over collections.

Analysis

MCCR had not established adequate accountability and control over collections. MCCR receives checks for settlements of certain civil rights cases to be forwarded to claimants and checks in the mail for fees related to information requests, civil penalties, and other miscellaneous payments, including those related to the Gala noted in Finding 4.

- Our review disclosed that the employee who received settlement checks did not record them upon receipt to establish accountability over the funds. The employee forwarded the settlement checks to another employee who delivered them to the related claimants. MCCR could not readily quantify the number or value of settlement checks received and delivered but advised us that the settlement checks are included in monetary relief category, which totaled \$1.1 million according to its fiscal year 2023 annual report.
- MCCR did not record or endorse checks received in the mail immediately upon receipt, did not secure the checks prior to deposit, and did not perform a documented independent verification to ensure the checks were deposited. In addition, beginning in March 2023, MCCR allowed an employee to take collections home to make the deposits on the way to work the next business day. MCCR recorded check deposits totaling approximately \$14,900 in the State's accounting records during fiscal year 2023. Due to the lack of documentation, we were unable to reasonably ensure the accuracy and completeness of the deposits.

The Comptroller of Maryland's *Accounting Procedures Manual* requires the establishment of sufficient internal controls over collections, including initial accountability over collections received, timely deposits, and proper verification of collections to deposit.

Recommendation 5

We recommend that MCCR

- a. record all collections, including settlement checks, upon receipt and ensure the proper disposition of the funds;**
- b. restrictively endorse checks prior to deposit;**

- c. properly safeguard checks prior to deposit including discontinuing the practice of allowing employees to take collections home prior to deposit; and**
- d. ensure that an independent and documented verification of checks received to amounts deposited is performed.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Commission on Civil Rights (MCCR) for the period beginning March 15, 2019 and ending, June 16, 2023. 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 MCCR'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 investigations of potential violations of civil rights, procurements, disbursements, corporate purchasing cards (CPC), payroll, and cash receipts. In addition, we identified certain questionable CPC activity and our Special Investigation Unit conducted an expanded review of CPC transactions.

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 March 15, 2019 to June 16, 2023, 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 MCCR'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 also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). 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 these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from automated systems used by MCCR for maintaining civil rights investigation data for the purpose of planning and testing. 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.

MCCR'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 MCCR, 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 MCCR'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.

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



State of Maryland Commission on Civil Rights

Respect....Integrity...Effective Communication

October 18, 2024

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CCEP

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Esq.

Assistant Director
Nicolette Young

**Education and
Outreach Director**
Candice Gray

Brian S. Tanen, CPA, CFE
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
351 West Camden Street – Suite 400
Baltimore, MD 21201

Dear Mr. Tanen,

On behalf of The Maryland Commission on Civil Rights (MCCR), I am submitting the Commission's responses to the audit findings outlined in your recent letter. We appreciate the opportunity to address the issues raised and remain committed to ensuring that all aspects of our operations comply with the highest standards of transparency, accountability, and efficiency.

Our responses are enclosed for your review and further consideration. Should you have any questions or require additional documentation, please do not hesitate to contact me. MCCR is dedicated to resolving these matters and enhancing our processes in line with your recommendations.

Thank you for your continued support and collaboration.

Sincerely,

Cleveland L. Horton II

Cleveland L. Horton II
Executive Director
Maryland Commission on Civil Rights

“Our vision is to have a State that is free from any trace of unlawful discrimination.”

Maryland Commission on Civil Rights

Agency Response Form

Investigations of Potential Violations of Civil Rights Laws

Finding 1

MCCR did not always assign employment and public accommodation complaints to an investigator and issue related written findings timely, and decisions to reject complaints were not always subject to supervisory review and approval.

We recommend that MCCR

- a. ensure that employment and public accommodation cases are assigned to an investigator upon authorization and establish written criteria for timely assignment,**
- b. issue written findings for cases within 300 days from assignment, and**
- c. document supervisory review and approval for rejected complaints.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	It is key to note that delays in assigning cases or issuing written determinations are directly related to staffing shortages and not as a result of any specific process of MCCR. Historically, Intake staff have not been required to obtain supervisory approval to abort/reject inquiries that are outside of our jurisdiction (i.e. food stamp program, parole/probation, unemployment decision appeals, etc.). MCCR receives a high number of aborts that do not fall within our jurisdiction and in an effort to not backlog the supervisory queue with those inquiries that are clearly outside of our purview, Intake staff have been given the autonomy to process those aborts without the requirement of having supervisory approval to do so.		
Recommendation 1a	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	MCCR's internal guideline is, and will continue to be, to assign cases immediately upon authorization and service of a complaint of discrimination. At times, the assignment of cases is delayed due to staffing shortages as described in the audit report. MCCR is continuously looking at our processes to determine how we can be more efficient and streamline our processes. MCCR is also working with the administration to analyze our current staffing levels and determine the appropriate and available options to address our identified staffing shortages.		

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Recommendation 1b	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	Our internal guidelines, issued to all staff, highlight the criteria for written findings to be issued within 300 days of assignment to an Investigator. Complex cases tend to take longer than 300 days to investigate to ensure that the appropriate information has been gathered to make an accurate and justified determination. These cases typically require extensive witness interviews, document requests and onsite visits. In addition, the cases that we have in our inventory that are trending toward Probable Cause also require an additional review process which adds to our time in process and delays the issuance of the written finding. MCCR has requested additional staff, which would significantly improve our time in process and drastically reduce the amount of time it takes us to issue our written determinations.		
Recommendation 1c	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	All Intake staff have been trained in ensuring that all abortions/rejections of inquiries that are submitted to MCCR for review are reviewed and approved by supervisory staff prior to the final disposition of all inquiries.		

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Disbursements

Finding 2

MCCR could not provide documentation to support the propriety of certain vendor disbursements.

We recommend that MCCR ensure that disbursements are properly supported and appropriate, including those noted above.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	MCCR has no concerns with this information.		
Recommendation 2	Agree	Estimated Completion Date:	12/01/2024
Please provide details of corrective action or explain disagreement.	MCCR will require that all vendor disbursements include proper invoicing, have a detailed statement of charges or contract, and an updated W-9 for the vendor profile. Documentation for all vendor payments will be retained by the office for a minimum of 5 years and filed appropriately based on fiscal year.		

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Corporate Purchasing Cards (CPC)

Finding 3

MCCR lacked required critical controls over CPCs resulting in the improper use of certain cards after the cardholders left State service and numerous unsupported transactions.

We recommend that MCCR comply with the *Manual*. Specifically, MCCR should

- a. ensure CPC cardholders prepare complete and accurate CPC logs and include documentation to support the related transactions;
- b. ensure cardholders and supervisors sign the CPC logs and related bank statements to indicate purchases are appropriate, and purchase amounts agree to the bank credit card statements;
- c. incorporate the use of Level-3 data, when available, as a part of the monthly supervisory review to aid in the assessment of the propriety of CPC purchases;
- d. promptly cancel cards assigned to individuals no longer employed by MCCR; and
- e. obtain support for the aforementioned questionable transactions with no documentation and take appropriate action such as recovering the cost of any improper purchases.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	MCCR has no concerns with this information		
Recommendation 3a	Agree	Estimated Completion Date:	12/01/2024
Please provide details of corrective action or explain disagreement.	MCCR will work with the CPC cardholders to ensure that all charges made to the cards are appropriately documented. Corrective measures will include CPC cardholders completing monthly CPC logs that will be signed by the cardholder, Assistant Director (Fiscal Officer) and the Executive Director (or designee). Documentation included in the package will include receipts for all transactions and requests for purchase (emails) for all transactions that aren't recurring monthly charges.		
Recommendation 3b	Agree	Estimated Completion Date:	09/06/2024

Maryland Commission on Civil Rights

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Please provide details of corrective action or explain disagreement.	The Assistant Director and CPC cardholders will sign and date the CPC logs and bank statements each month as part of the CPC reconciliation process. Additionally, the transactions will be appropriately documented, and a review of charges will be done monthly. All charges will be reviewed against what is on the statement, internal records, and FMIS reporting for CPC monthly charges.		
Recommendation 3c	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	The Assistant Director will run the Level 3 report each month to aid in the assessment of the propriety of CPC purchases. Prior to leaving in April 2022, the prior Assistant Director, did a review of Level 3 reports each month from May 2019 – February 2022. It is unknown if Level 3 reports were reviewed from March 2022 – February 2023. MCCR has ensured that Level 3 reports are completed from March 2024 onward. OLA advised MCCR that in order to confirm the review of Level 3 data, MCCR should document the review by either adding a column indicating the review status of each item or printing the report and initialing it. The reviewer will incorporate this guidance on all future Level 3 monthly report reviews.		
Recommendation 3d	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	The designated PCPA, Assistant Director, will ensure that once a CPC cardholder leaves MCCR the card is destroyed, and the Comptroller's General Accounting Division (GAD) CPC unit is notified to deactivate the card. All recurring charges will be moved to another card and no additional charges will be made to the card prior to deactivation by GAD CPC.		
Recommendation 3e	Agree	Estimated Completion Date:	12/01/2024
Please provide details of corrective action or explain disagreement.	MCCR has received a list of questionable charges for review. If charges are deemed questionable, MCCR will research to find the receipts, work with GAD to recover the funds to include returning the items or attempt to get credit from the vendor.		

Maryland Commission on Civil Rights

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Biennial Civil Rights and Fair Housing Gala

Finding 4

MCCR had not established adequate accountability and control over Gala revenue and expenses resulting in the inability to account for certain funds or justify certain expenditures. As a result, federal funds intended for pursuing civil rights complaints were reallocated to cover certain Gala expenses.

We recommend that MCCR

- a. develop comprehensive procedures for future events to ensure all revenue and expenditures are properly accounted for and related documentation is retained;
- b. investigate and account for all revenue collected for the Gala, including the aforementioned unaccounted for sponsor payments and ticket sales; and
- c. ensure future bank accounts are approved by the STO, bank agreements are properly executed, and related activity is monitored.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	Reconciliation of revenue (ticket sales, sponsorships) and expenditures that were implemented during the April 2018 gala will be reinstated to ensure the appropriate documentation of all activities related to the gala or other future MCCR sponsored events.		
Recommendation 4a	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	Corrective actions include running monthly revenue reports from the payment portal used to sell tickets for MCCR events. The reports will include the payee(s) contact information, ticket amount, and date of purchase. The reports will be reconciled against the R*Stars ACH Entries revenue reports received from STO when revenue is received in the agency's depository account. This report will be reconciled against what is reported in FMIS to ensure the accuracy of accounting between the payment portal and the State. Additionally, all sponsorship checks will be logged on to a spreadsheet and deposited in MCCR's account for accurate accounting in FMIS. All event-related expenditures will be processed using funds raised for that event only and won't be inappropriately commingled with funds for unrelated MCCR activities. Program cost accounts have been created to ensure proper documentation for individual events.		

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	MCCR will continue to work through STO to ensure that all revenue is credited appropriately, and they approve the Pricing Offer Letter with the bank to create or update the payment portal so MCCR can sell tickets for events.		
Recommendation 4b	Agree	Estimated Completion Date:	12/01/2024
Please provide details of corrective action or explain disagreement.	Gala tickets are purchased through the payment portal. The account was initially set up in 2022 with assistance from STO staff and the bank who serves as the State's merchant services vendor. All tickets purchased through the portal go directly into MCCR's depository account and the transactions are reconciled through STO, reported to GAD and updated in FMIS. MCCR fiscal staff were able to run transaction reports for the timeframe April 2022 - August 2022. Ticket sales during this period totaled \$14,600. MCCR will do an internal review of sponsorship payments to the agency. MCCR has a list of sponsors, and we will reach out to them to get a copy of the sponsorship checks for our records. If there is discrepancy between what was reported in FMIS, we will work with the GAD to resolve any outstanding revenue accounting issues for FY 2022 – 2023.		
Recommendation 4c	Agree	Estimated Completion Date:	12/01/2024
Please provide details of corrective action or explain disagreement.	MCCR is in the process of providing explanations for the accounts during this audit period that will clear up the identified issue. MCCR confirmed from STO that the account is related to incoming merchant services transactions to the agency's depository account. The transactions identified in the merchant services account are directly related to the 2022 Civil Rights Gala ticket sales. MCCR fiscal staff were able to locate correspondence from January and February 2022 when we started using the selected merchants to set up the registration payment portal for the 2022 Civil Rights Gala. STO and the identified bank advised there would be a transaction fee for users who register for our gala using certain merchant services accounts. Due to the fee, select transactions are identified separately from other credit card transaction types. MCCR received the funds from April 2022 - August 2022 and staff were able to reconcile the ten transactions using the R*Stars document numbers provided by OLA. MCCR staff did not create the account. The account was created by the bank with STO knowledge. Funds from the transaction fees were deposited into MCCR's depository account and reconciled into FMIS. The account is still open, and the agency receives monthly statements. MCCR will inquire with the bank to see if transactions can be retrieved from the April 2022 – August 2022 timeframe to confirm the		

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	total funds collected and if all funds were transferred to the State's account.
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Cash Receipts

Finding 5
MCCR had not established adequate accountability and control over collections.

We recommend that MCCR

- a. record all collections, including settlement checks, upon receipt and ensure the proper disposition of the funds;**
- b. restrictively endorse checks prior to deposit;**
- c. properly safeguard checks prior to deposit including discontinuing the practice of allowing employees to take collections home prior to deposit; and**
- d. ensure that an independent and documented verification of checks received to amounts deposited is performed.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	MCCR has no concerns with this information.		
Recommendation 5a	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	All checks will be logged onto a spreadsheet for documentation and unit staff will make copies of all checks received prior to deposit or distribution to the appropriate party for adequate agency record keeping. For checks specifically for MCCR (i.e. MPIA checks, sponsorship checks), after depositing the check in the agency's account, all deposits will be logged into FMIS using the correct transaction code and program cost account for the entry. Files will be kept in a secure, locked location that is only accessible by the Administrative and Support Services staff.		

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Recommendation 5b	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	MCCR will ensure that staff appropriately endorse checks prior to depositing. Internal controls to include check processing procedures will be implemented and MCCR staff will be trained on the procedures to include recording, depositing, and logging the deposits in R*Stars.		
Recommendation 5c	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	MCCR will ensure that checks are securely locked away until deposited into the agency's depository account. For MCCR specific checks, MCCR staff will be required to deposit all checks into the bank account within one business day of receipt. Effective 09/06/2024, MCCR has discontinued the practice of receiving checks directly from parties to complaints of discrimination. The checks will be issued directly to the appropriate party, and MCCR will receive written confirmation that the checks were mailed and received by the appropriate party, along with a copy of the check, to be included in the associated case file.		
Recommendation 5d	Agree	Estimated Completion Date:	09/06/2024
Please provide details of corrective action or explain disagreement.	Internal controls for check deposit procedures will require the Assistant Director to review the check log monthly to ensure it reconciles back to what is reported in R*Stars. Additionally, staff will be required to keep copies of the DAFR 8901 Interface Control Report that documents transactions in R*Stars.		

AUDIT TEAM

Mark S. Hagenbuch, CPA
Audit Manager

Matusala Y. Abishe
Sporthi J. Cernelio
Senior Auditors

Johanna K. Bachman
Staff Auditor