



Department of Legislative Services
Office of Legislative Audits

Opioid Operational Command Center

Allegations Related to a Questionable Grant Awarded
to a Nonprofit Organization

Special Review

Report dated February 7, 2020



Department of Legislative Services Office of Legislative Audits

Background

- In response to the rise in the number of heroin and opioid deaths in the State, the Governor issued an Executive Order, effective January 24, 2017, which established the Opioid Operational Command Center (OCCC).
 - OCCC was initially budgeted within the Maryland Department of Health's (MDH) Behavioral Health Administration. Through an Executive Order effective December 12, 2018, OCCC was transferred to the Maryland Emergency Management Agency (MEMA) - a unit within the Military Department.
 - According to State records, the majority of OCCC's expenditures were for grant disbursements which totaled approximately \$10 million annually during fiscal years 2018 and 2019. OCCC grants were either formula based to the local health departments or discretionary based to government agencies and nonprofit organizations.
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Overview

- We conducted a review of an allegation received through our fraud, waste, and abuse hotline regarding a questionable grant awarded to a nonprofit organization during fiscal year 2019, totaling \$750,000 that included the purchase of a former country club and golf course.
 - Our preliminary review of the allegation determined that OOCB lacked comprehensive procedures and controls over its grant process. Accordingly, we expanded the scope of our review to include 18 grants awarded by the OOCB totaling \$6.1 million during fiscal years 2018 and 2019.
 - Based on our review we found the allegation to be generally valid and identified certain other questionable matters that we 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.
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Key Issues

- OCCC did not have written policies and procedures for the selection of grantees, determination of amounts awarded, and the monitoring of grantees, which raised questions about the integrity of the grant awards and related payments.
 - OCCC could not justify a \$750,000 grant awarded to a nonprofit for the purchase of a former country club and golf course.
 - OCCC awarded a \$100,000 grant to an out-of-state nonprofit organization that transferred almost all of the funds to a for-profit company owned by the senior management of the nonprofit. State law unrelated to OCCC, provides that this nonprofit shall receive \$1 million in grant funds from another State agency over 4 years.
 - OCCC awarded a \$40,959 grant to a nonprofit organization for purposes that were not consistent with the grant proposal.
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Grant Award and Monitoring (Finding 1)

OOCC did not have written policies and procedures for the selection of grantees, determination of the amounts awarded, and monitoring of grantees. Consequently, we noted that OOCC could not support the propriety of certain grants tested.

- OOCC did not sufficiently notify the public of the availability of discretionary grant funds.
- OOCC lacked sufficient documentation of the grant proposal and evaluation processes and had no process to verify assertions made in the grant proposals.
- OOCC did not have a process to ensure grant expenditures were valid and were consistent with the related grant agreements.

These conditions raised questions about the integrity of the awards and related payments, and we believe contributed to activities detailed in Findings 2, 3 and 4.



Questionable Grant (Finding 2)

OCCC did not have adequate justification for a \$750,000 discretionary grant award to a nonprofit organization for the purchase of a former country club and golf course in Caroline County.

- OCCC had no documentation to support its evaluation of the proposal and determination that the grantee's program would be effective, nor could OCCC justify the award amount. The jurisdiction in which the grant program was proposed had less than one percent of the State's opioid deaths in 2018, but the award was higher than the amounts awarded to nonprofits in other jurisdictions.
- OCCC advised us that due to the timing of the grant and the complexity of executing a grant agreement that included the purchase of real estate, the grant funds were not distributed.



Questionable Grant Activity (Finding 3)

OOCC awarded a \$100,000 grant to an out-of-state nonprofit organization that transferred most of the funds to a for-profit company owned by senior management of the nonprofit.

- The transfer of the grant funds to the private company raises questions as to the legality of the nonprofit organization's actions. The Internal Revenue Code provides that a nonprofit organization must not be organized or operated for the benefit of private interests.
 - OOCC paid the nonprofit \$25,000 more than the amount stipulated in the grant proposal and we confirmed that the nonprofit provided less than half of the required services.
 - State law unrelated to the OOCC, provides that this nonprofit shall receive \$1 million in State grants from 2020 to 2023. We obtained the related FY 2020 grant agreement and found that it was for similar services as those in the OOCC grant agreement that we found questionable.
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Questionable Grant Activity (Finding 4)

OCCC awarded a \$40,959 grant to a nonprofit organization that was for a purpose that was not consistent with the grant proposal, and certain expenditures appeared questionable.

- The nonprofit organization was to operate a transitional sober living residence and its grant proposal specified that the grant funds were to be used for staffing. However, the grant agreement stated that all of the funds were to be used for the purchase of a box truck, lawn mower, gas grill, and propane.
 - The purchases in the grant agreement (noted above) were unrelated to the performance measures contained in the grant agreement. For example, one performance measure was the number of clergy and lay spiritual leaders to be trained by the grantee.
 - We reviewed the grantee's documentation of purchases made and we questioned the legitimacy of the propane invoice.
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Conclusion

OOCC should

- establish comprehensive policies and procedures for awarding grants, evaluating grant proposals, and monitoring grants;
 - ensure that grant awards are adequately justified, grantee assertions are verified, and that consideration be given to awarding funds commensurate with the related treatment needs or levels of addiction of the respective local jurisdictions;
 - refrain from awarding grants to nonprofit entities that transfer a substantial portion of grant funds to third parties;
 - ensure that payment rates in grant agreements are consistent with grant proposals and monitor grantees to ensure that all required services are provided; and
 - ensure that grant agreements are consistent with the related proposals.
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