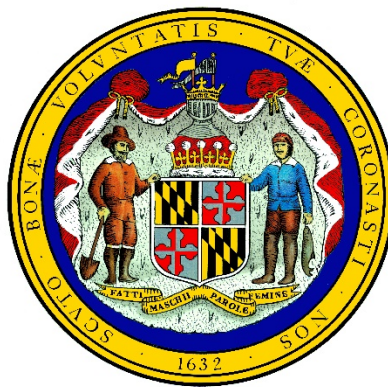


Audit Report

Executive Department

Office of the Governor Boards, Commissions, and Offices Office of the Deaf and Hard of Hearing

April 2024



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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

To Obtain Further Information

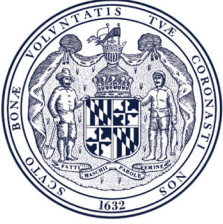
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 12, 2024

Gregory A. Hook, CPA
Legislative Auditor

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 following units of the Executive Department for the period beginning November 19, 2018 and ending February 28, 2023.

Office of the Governor
Boards, Commissions, and Offices
Office of the Deaf and Hard of Hearing

The Department provides oversight, guidance, and coordination to units within the Executive Department and to other budgetary units within the Executive Branch of State government.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the Department's efforts to satisfactorily address the relevant findings contained in our preceding audit report. We also wish to acknowledge the cooperation extended to us during the audit by the Department.

Respectfully submitted,

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Executive Department – Office of the Governor provides oversight, guidance, and coordination to units within the Executive Department and to other budgetary units within the Executive Branch of State government. The Department also provides the public with information about the Governor’s policies and goals, and about the functions of State government. According to the State’s accounting records, the Office of the Governor’s expenditures were approximately \$13.4 million for fiscal year 2023. As of June 30, 2023, 15.3 percent of the Department’s positions (including those units described below) were vacant (see Figure 1 on the following page).

The Boards, Commissions, and Offices unit consists of various entities, including the Governor’s Office of Community Initiatives, which were created by statute or executive order to provide planning and coordination for Executive Branch functions. According to the State’s accounting records, these entities’ expenditures were approximately \$17.1 million during fiscal year 2023 (see Exhibit 1).

The Office of the Deaf and Hard of Hearing advocates for and promotes the general welfare of individuals who are deaf or hard of hearing, and provides, advocates for, and coordinates the adoption of public policies, regulations, and programs that will benefit deaf and hard of hearing individuals. According to the State’s accounting records, this Office’s expenditures were approximately \$493,000 during fiscal year 2023.

These expenditures combined are shown in Figure 1 on the following page.

Figure 1
Office of the Governor
Boards, Commissions, and Offices
Office of the Deaf and Hard of Hearing
Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	127	84.7%
Vacant	23	15.3%
Total	150	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$19,287,655	62.2%
Technical and Special Fees	1,050,541	3.4%
Operating Expenses	10,649,195	34.4%
Total	\$30,987,391	
Fiscal Year 2023 Funding Sources		
	Funding	Percent
General Fund	\$23,324,270	75.3%
Special Fund	599,855	1.9%
Federal Fund	6,336,979	20.5%
Reimbursable Fund	726,287	2.3%
Total	\$30,987,391	

Source: State financial and personnel records

Organizational Changes

Effective March 7, 2020, Chapter 11, Laws of Maryland, 2020 renamed the Governor's Office of Crime Control and Prevention to the Governor's Office of Crime Prevention, Youth and Victim Services (GOCPYVS). This law also renamed the Governor's Office for Children to the Division of Children and Youth and transferred it from a standalone Office to GOCPYVS. Due to the increasing financial significance of GOCPYVS activities, we have decided to separately audit GOCPYVS. Consequently, GOCPYVS activities since November 19, 2018 are excluded from this audit report and will be included in a separate forthcoming audit of GOCPYVS.

Effective July 1, 2022, Chapter 451, Laws of Maryland, 2022 established the Commission on African American History and Culture (CAAHC) as an independent unit in the Executive Branch of State Government. Previously, CAAHC was a unit within the Boards, Commissions, and Offices in the Executive Department. The activities of CAAHC through June 30, 2022 are included in the scope of this audit and activities after that date will be included in a separate audit of CAAHC.

Federal Investigation and Settlement

The Governor's Office of Service and Volunteerism (GOSV), a program within the Governor's Office on Community Initiatives, was subject to a federal investigation related to its use of AmeriCorps grants. The grants were multi-year awards from January 1, 2016 through December 31, 2021 totaling \$2.1 million, whose purpose was promoting and recognizing volunteer activities throughout the State, as well as recognizing youth groups who were active in their community.

In December 2022, as a result of the federal investigation of the grant period from January 2016 to December 2019, GOSV and the United States (US) Attorney's Office entered into a settlement agreement in which the US Attorney contended that GOSV violated the terms of the grant requirements in the following three areas:

- GOSV distributed donated Baltimore Orioles and Maryland State Fair tickets, which were intended for volunteers, to individuals who were not eligible under the AmeriCorps grant, including GOSV employees.
- GOSV charged employee salaries to the AmeriCorps grant without supporting documentation that the employees worked on the AmeriCorps grant.
- GOSV overcharged AmeriCorps for certain expenses.

The donated tickets were used by GOSV to satisfy matching contribution requirements of the federal grant and the improper use of the tickets disqualified them for this purpose. GOSV ultimately agreed to pay \$639,916 to the federal government and entered into a Compliance Agreement to ensure future compliance with AmeriCorps grant procedures.

State Grants Audit

On November 10, 2021, we issued a performance audit report on *State Grants* to assess the State's policies and guidance for advertising, awarding, and monitoring

State-funded grants. The report contained three findings related to the Governor's Grants Office (GGO), which is a program within the Boards, Commissions, and Offices. The report noted specifically:

- The State did not have statewide comprehensive laws, regulations, policies, or procedures governing the creation, award, and administration of State grants.
- The State did not have standardized grant applications and grant agreements. As a result, certain agencies did not include critical provisions in grant agreements.
- The State did not have a statewide grants manager system to help administer and track grant awards and related expenditures.

GGO generally agreed with the findings and related recommendations. We did not review the current status of the findings in the *State Grants* audit report during this audit because based on GGO's response to the audit report, implementation of the recommendations is pending the completion of a report which is not due until July 1, 2024.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of three of the four findings contained in our preceding audit report dated November 12, 2019. We determined that the Department satisfactorily addressed these findings. The status of the other finding (Finding 1) as well as part of Finding 4 will be reviewed during our audit of GOCYVS.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Department's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Findings that did not warrant inclusion in this report were separately communicated to the Department.

A draft copy of this report was provided to the Department. 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 following units of the Executive Department for the period beginning November 19, 2018 and ending February 28, 2023.

Office of the Governor
Boards, Commissions, and Offices
Office of the Deaf and Hard of Hearing

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 the Department'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, equipment, disbursements, grants, budgetary and year-end closing transactions, federal funds, information systems, and payroll.

Our audit included various support services (such as payroll and processing vendor payment transmittals) provided by the Executive Department – Office of the Governor on a centralized basis to certain units and agencies within the Executive and Administrative Control area of State Government (such as the Department of Disabilities and Secretary of State). Effective June 30, 2020, Executive Department – Office of the Governor no longer provided support services to the Maryland Energy Administration. As previously requested by the Governor's Office, our audit also included activities related to the operation and maintenance of Government House (for example, inventory record keeping), even though the Department of General Services receives an appropriation for and performs these activities. We also determined the status of three of the four findings contained in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of the Department's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including the Department.

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 November 19, 2018 to February 28, 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 the Department'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). 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 various systems of the Department for the purpose of testing certain areas, such as equipment. 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.

The Department'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 the Department, 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.

Exhibit 1
Listing of Executive Department
Boards, Commissions, and Offices
Fiscal Year 2023

	Name of Board, Commission, or Office	Positions	Expenditures
1	Survey Commission	0	\$ 139,503
2	Governor's Office of Small, Minority and Women Business Affairs	11	1,396,344
3	Governor's Office of Community Initiatives	15	9,803,801
4	State Ethics Commission	12	1,513,576
5	Health Care Alternative Dispute Resolution Office	5	561,959
6	State Commission on Criminal Sentencing Policy	0	714,020
7	Governor's Grants Office	2	363,599
8	State Labor Relations Boards	2	491,847
9	Maryland State Board of Contracts Appeals	8	1,298,650
10	Governor's Coordinating Offices-Shared Services	3	823,507
11	The Maryland Corp Program*	0	0
	Total	58	\$17,106,806

Source: Budget Book

* Chapter 37, Laws of Maryland, 2022 expanded the program and separated it from the Governor's Office on Service and Volunteerism. Prior to fiscal year 2024, funding for the program was under the Governor's Office of Community Initiatives.

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