

Special Review

Opioid Operational Command Center

Allegations Related to a Questionable Grant
Awarded to a Nonprofit Organization

February 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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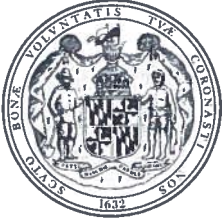
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

February 7, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee

Ladies and Gentlemen:

We conducted a review of an allegation received through our fraud, waste, and abuse hotline regarding the Opioid Operational Command Center (OCC), which was established by Executive Order in January 2017. The allegation related to 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. Based on that allegation, we reviewed OCC's grant procedures and tested 18 grants with awards totaling \$6.1 million, including the grant referenced in the allegation. The grants reviewed were awarded by OCC during fiscal years 2018 and 2019; a period during which, in December 2018, OCC was transferred from the Maryland Department of Health (MDH) to the Military Department.

Our review disclosed that OCC did not have written policies and procedures for the selection of grantees, amounts awarded, and the monitoring of grantees. As a result, we identified numerous deficiencies with OCC's grant process, which raised questions about the integrity of the awards and related payments.

OCC decided not to fund the \$750,000 grant award to the nonprofit organization for the purchase of a former country club and golf course. OCC management advised us that due to the complexity of executing a grant agreement that included the purchase of real estate, the award could not be funded by the end of fiscal year 2019.

However, prior to OCC's decision not to fund the grant, concerns with the propriety of the grant award, similar to the allegation reported to our fraud, waste, and abuse hotline, were raised by the local health department that was to execute the grant agreement and process the disbursement on OCC's behalf. The MDH

Office of the Inspector General (OIG) investigated these concerns and referred the matter to the Governor's Chief Counsel and the Attorney General's Criminal Division.

In addition, our review of the aforementioned allegation disclosed examples of the effect of OOCC's lack of written grant policies and procedures, as OOCC did not have adequate justification for the \$750,000 grant. Specifically, OOCC had no documentation to support its evaluation of the grant proposal and determination that the grantee's program would be effective, nor could OOCC justify the award amount. The general purpose of the grant was to provide funding for rehabilitative services to inmates on work release, students, and the broader community as part of the fight against opioid addiction. This goal was to be accomplished by developing a food center that included food processing, a farm-to-table restaurant, an event venue, and potentially a nine-hole golf course.

Our review also disclosed that OOCC awarded a \$100,000 grant to an out-of-state nonprofit organization (to provide multisensory educational programs on drug prevention to middle schools and high schools throughout Maryland) that then, in violation of the grant agreement, transferred most of those funds to a for-profit company owned by senior management of the nonprofit; neither of which were registered to conduct business in the State of Maryland. In addition, the rate paid to the nonprofit was higher than the rate included in the grant proposal, and more than half of the required services were not provided. In our opinion, this situation calls into question the propriety of this OOCC grant. Interestingly, we identified another State grant provided to the same nonprofit organization; however, we did not review this grant as it was unrelated to OOCC. Specifically, we found that State law identifies the same nonprofit organization as the recipient of a total of \$1 million in grant funding between 2020 and 2023 from the Governor's Office of Crime Control and Prevention.

Finally, we noted that OOCC awarded a \$40,959 grant to a nonprofit organization that was not consistent with the related grant proposal, and certain grant 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 and for costs related directly to the treatment of individuals living at the residence, such as, for medical services. However, the grant agreement listed the organization's planned detailed uses for the full amount of the grant funds, which were the purchases of a box truck, a commercial lawn mower, a gas grill, and propane. We reviewed the organization's documentation of the listed purchases, which we obtained from OOCC, and questioned the legitimacy of the propane invoice (for \$10,660) as it did not contain the company

logo, website, and phone number and was not consistent with invoices submitted by that propane vendor to other State agencies that we sighted.

The OOCC was initially budgeted within MDH's Behavioral Health Administration. An Executive Order, effective December 12, 2018, transferred OOCC to the Maryland Emergency Management Agency, which is a unit within the Military Department. OOCC's response to this review is included as an appendix to this report. We confirmed with the Military Department that it concurred with the response. In accordance with State law, we have reviewed the response, and while OOCC agrees with the recommendations in this report, it raised concerns claiming that there were several omissions of critical information related to new policies that OOCC had identified and started to implement prior to our review. The response also questions the accuracy of several of the facts presented in our findings. For those OOCC assertions of omissions and inaccuracies, we reviewed and reassessed our written documentation, and reaffirmed the validity of our findings. In accordance with generally accepted government auditing standards, we have included "auditor comments" within the response to explain our position.

As described in our "auditor comments," our review disclosed that certain procedures identified by OOCC were either not fully implemented or were not sufficiently comprehensive as of the time of our review and did not prevent or identify the deficiencies noted in Findings 2 through 4 which occurred after the revised procedures had purportedly been implemented. Accordingly the presentation in our report accurately depicts the procedures during the review period. Finally, mention must be made that the assertions made in several of the responses had not been raised by OOCC management during numerous meetings held both during and subsequent to our review, were not documented, and certain of these assertions directly contradict written documentation we obtained during our review. Nevertheless, there are other aspects of the response which will require further clarification, but we do not anticipate that these will require the Committee's attention to resolve.

We wish to acknowledge the cooperation extended to us during the review by OOCC, and staff of MDH and the Military Department. We also wish to acknowledge OOCC's willingness to address the issues and implement appropriate corrective actions.

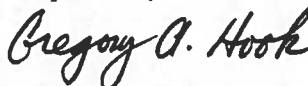
Respectfully submitted,

Gregory A. Hook, CPA
Legislative Auditor

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Scope, Objectives, and Methodology

We conducted a review of an allegation received through our fraud, waste, and abuse hotline regarding the Opioid Operational Command Center (OOCC), which was established by Executive Order in January 2017. The allegation related to a questionable grant awarded to a nonprofit organization. The purpose of our review was to determine whether the allegation we received was valid and to determine if the related activities violated State laws, regulations, and policies. This review was performed in accordance with State Government Article, Section 2-1220 of the Annotated Code of Maryland.

The scope of our review included the grant award referenced in the allegation. In addition, considering the results of our review regarding this grant award and our review of OOCC's grant award procedures, we expanded the scope to include 18 grants with awards totaling \$6.1 million that were awarded during fiscal years 2018 and 2019.

Our review consisted of tests, analyses, observations, and discussions with personnel at OOCC as we deemed necessary to achieve our objectives. We also reviewed documentation and held discussions with personnel from the Maryland Department of Health – Office of the Secretary, the Behavioral Health Administration, and the Maryland Emergency Management Agency, which processed financial transactions on behalf of OOCC during the period covered by our review.

The results of our review, which found the original allegation to be generally valid, are identified in Finding 2. Our review also identified issues with OOCC's procedures for awarding, monitoring, and accounting for grants which are identified in findings 1 and 5, and questionable activities relating to grant awards to other nonprofit organizations, which are identified in Findings 3 and 4.

Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Our review was conducted during the period from May 2019 through September 2019.

OOCC's response to our findings and recommendations, as confirmed by the Military Department, is included as an appendix to this report. As prescribed in State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the OOCC regarding the results of our review of its response.

Background Information

Agency Establishment and Responsibilities

In response to the rise in the number of heroin and opioid deaths in the State, the Governor issued Executive Order 01.01.2015.13, effective February 24, 2015, establishing the Governor’s Inter-Agency Heroin and Opioid Coordinating Council. Subsequently, Executive Order 01.01.2017.01, effective January 24, 2017, established the Opioid Operational Command Center (OOCC) within the Council to address the opioid epidemic. The Executive Order provides that the OOCC is responsible for

- collecting, analyzing, and facilitating the sharing of data relevant to the epidemic from State and local sources;
- developing a memorandum of understanding among State and local agencies that provides for the sharing and collection of health and public safety information and data relating to the heroin and opioid epidemic;
- assisting and supporting local agencies in the creation of Opioid Intervention Teams that will share such data; and
- coordinating the training and providing resources (including grants) to State and local agencies addressing the threat to the public health, security, and economic well-being of the State.

The OOCC was initially budgeted within the Maryland Department of Health’s (MDH) Behavioral Health Administration. Executive Order 01.01.2018.30, effective December 12, 2018, transferred OOCC to the Maryland Emergency Management Agency.

According to the State’s records, OOCC’s operating expenditures for fiscal years for 2017 through 2019 totaled approximately \$22 million (excluding approximately \$5.3 million that was initially budgeted

to the OOCC and transferred to the Medical Care Programs Administration). As depicted in Table 1, the majority of OOCC’s expenditures related to grant disbursements that were approximately \$10 million annually during fiscal years 2018 and 2019.

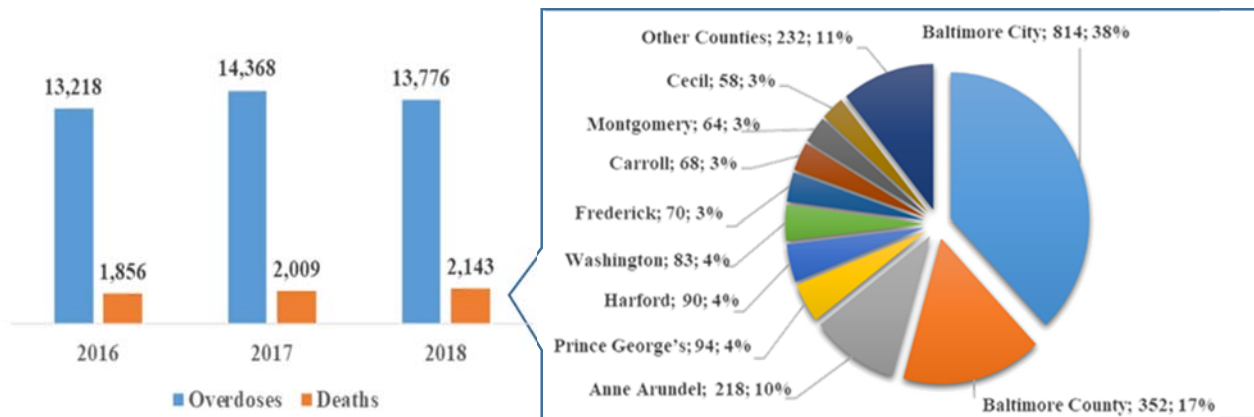
Expenditure Type	Fiscal Year		
	2017	2018	2019
Grants	\$0	\$9,948,601	\$10,124,145
Salary and Other	500,000	565,111	807,896
Total	\$500,000	\$10,513,712	\$10,932,040

Source: State Records

Opioid Overdoses and Deaths

During calendar years 2016 through 2018, opioid overdoses and deaths continued to affect the lives of thousands of Maryland residents. As noted in Chart A, during calendar year 2018 there were 13,776 reported opioid overdoses and 2,143 reported opioid deaths in the State. Three jurisdictions (Baltimore City, Baltimore County, and Anne Arundel County) accounted for approximately 65 percent of the total opioid related deaths in 2018.

Chart A
Maryland Opioid Overdoses and Deaths



Source: Maryland Vital Statistics, Maryland Institute for Emergency Medical Services Systems

As a result of the ongoing opioid epidemic, the Governor declared a state of emergency, effective March 1, 2017. The state of emergency continued to be renewed until its expiration on January 21, 2019.

Overview

The hotline allegation we received related to 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. This matter was also referred to the MDH – Office of Inspector General (OIG). The OIG reviewed this grant and, because of concerns with the method in which the grant was awarded and the intended use of the funds, referred the matter to the Governor’s Chief of Legal Counsel and the Office of Attorney General – Criminal Division.

Our preliminary review of the allegation determined that the OOCC lacked comprehensive procedures and controls over its grant process. Accordingly, we expanded the scope of our review to include 18 grants awarded by the OOCC, totaling \$6.1 million during fiscal years 2018 and 2019, including the grant referenced in our allegation.

Our review identified significant deficiencies with OOCC's controls and procedures for awarding and monitoring grants as described in Finding 1. Our review also 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. Consequently, certain recommendations reference OOCC consulting with the Criminal Division before taking any actions regarding the findings contained in this report. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Findings and Recommendations

Grant Award and Monitoring

Background

During fiscal years 2018 and 2019, the Opioid Operational Command Center (OCCC) awarded and disbursed approximately \$10 million in grants to government agencies and nonprofit organizations (Table 2). According to OCCC management, grant funds are divided into formula-based grants to local Opioid Intervention Teams throughout the State and discretionary grants to government and nonprofit organizations.

Formula Grants

The OCCC awards annual formula-based grants to local health departments (LHDs) which work within the Opioid Intervention Teams (OITs) operating in each of the State's 24 jurisdictions. The OITs are comprised of personnel from the LHDs and other local government and private entities that coordinate with the community to implement the Statewide opioid response effort.

Grant	2018	2019
Formula	\$3,949,977	\$4,000,720
Discretionary	5,998,624	6,123,425
Total	\$9,948,601	\$10,124,145

Source: State Records

Each LHD submits an annual grant proposal to OCCC outlining how it will use grant funds for opioid-related projects. Grant funds are budgeted to each LHD using a formula that includes a base amount to each jurisdiction (\$66,667 in fiscal year 2019) and additional funding based on the number of opioid deaths in the jurisdiction relative to Statewide opioid deaths. The LHDs either record their grant expenditures directly in the State's accounting system or submit periodic invoices to the Maryland Department of Health (MDH) to request reimbursement of the funds.

Discretionary Grants

The OCCC awards annual discretionary grants to both State and local government agencies and nonprofit entities. Grants are generally awarded based on grant proposals submitted by government organizations and nonprofit organizations. To obtain the grant funds awarded, grantees either record their expenditures directly in the State's accounting system, or submit invoices for reimbursement processing to MDH, the Behavioral Health Administration (BHA), or the Maryland Emergency Management Agency.

Finding 1

OOCC did not have written policies and procedures for the selection of grantees, amounts awarded, and the monitoring of grantees. We noted numerous deficiencies with the grant process that raised questions about the overall integrity of grant awards and related payments.

Analysis

OOCC did not have written policies and procedures for the selection of grantees, amounts awarded, and monitoring of grantees. As a result, we noted numerous deficiencies with the grant process, which raised questions about the overall integrity of the awards and related payments. We reviewed OOCC's grant process, and tested 12 discretionary grants totaling \$4.4 million and 6 formula grants totaling \$1.7 million awarded during fiscal years 2018 and 2019. Our review disclosed numerous issues, including a lack of documentation or formal policies, impacting all grants in varying degrees and certain grants specifically.

Grant Selection and Award

- OOCC did not sufficiently notify the public of the availability of discretionary grant funds. Rather, we were advised that OOCC met with certain stakeholders it selected, such as OITs, and verbally informed them of the availability of funding. In February 2019, OOCC began to document this process using written notifications to the stakeholders, but still did not publicly solicit grant proposals.
- For all formula-based and discretionary grants tested, OOCC lacked sufficient documentation of the grant proposal review and evaluation processes. In addition, for the discretionary grants, OOCC lacked sufficient documentation for the basis for which the grantees received funding, and the methodology for determining the amounts of the awards.

In February 2019, OOCC began using a committee, consisting of OOCC and representatives from three State agencies, to evaluate and rate the discretionary grant proposals; however, the evaluations and ratings were not sufficiently documented and there did not appear to be a correlation between the ratings and the amounts awarded. For example, for one \$62,000 discretionary grant award tested, there was no documentation of each committee member's rating, nor justification for a noted change in the grantee's initial rating of "high priority" to "very high priority." In addition, both this grantee and another grantee, that was rated as "low priority", were awarded the full amount requested in their grant proposals.

- OOCC had no process to verify assertions made in the grant proposals, including a grantee’s past performance, and did not ensure that nonprofit organizations were authorized to do business in the State. In addition, the OOCC did not ensure that grantees were in good standing with the Internal Revenue Service (IRS). This is significant because, as noted in Finding 3, we identified a nonprofit grantee that was not registered to do business in the State. OOCC was not aware of this issue and had not verified the assertions of past performance made by the grantee, such as the “evidence based” approach being used and the “proven record of success” claimed by the grantee, which are discussed further in Finding 3 and Finding 2, respectively.
- For one \$550,000 discretionary grant award tested, OOCC could not provide either the grant proposal from the LHD or the related grant agreement. While we were advised that the grant funds were used to purchase Naloxone (a drug used to reverse the effects of an opioid overdose) in Baltimore City, which would appear a reasonable use of grant funds, there was no assurance that, in fact, this was the purpose of the grant, nor was there a record of the quantity to be purchased and the related costs.
- OOCC did not have a process to independently review the formula-based grant calculations to ensure they were calculated properly. One employee was responsible for obtaining information on opioid deaths from the MDH Vital Statistics Administration and calculating the amounts allocated to each jurisdiction. OOCC did not have any process for an independent employee to review the calculations and the related award amounts to ensure they were proper. Our review disclosed that the calculations for the fiscal year 2019 grants were calculated in accordance with OOCC’s formula and the related award amounts were consistent with those calculations.

Grant Monitoring

- OOCC did not have a process to ensure grant expenditures were valid and were consistent with the related grant agreements. For both the formula-based and discretionary grants, the grantees reported expenditures by category such as salaries, contractual services, and medication purchases. OOCC did not obtain details of the amounts reported or documentation to support the reported expenditures. For example, during fiscal year 2018, OOCC paid approximately \$2 million to Baltimore City for both formula and discretionary grants, of which \$1.3 million was reported as medicine costs and \$622,000 was reported as contractual services. OOCC did not obtain documentation of these expenditures such as copies of the contracts and related invoices. As a result, there is a lack of assurance that the amounts reported were valid and that grant funds were used in accordance with the grant agreements.

- OOCC did not have a process to ensure grant deliverables were received. For example, for a \$1.5 million discretionary grant to Anne Arundel County, which included expenses such as salaries associated with mentoring individuals recovering from opioid addiction, OOCC did not obtain documentation or conduct site visits to verify that the mentoring services of that value were actually provided. In addition, OOCC could not provide us with any documentation to support that the aforementioned \$550,000 in Naloxone purchased by Baltimore City was received and distributed as intended.
- Although OOCC established performance measures (such as the number of individuals trained to administer Naloxone) for both formula and discretionary grants, it did not obtain any performance data from grantees for discretionary grants awarded prior to May 2019. In addition, OOCC did not obtain any documentation to support performance data reported by grantees for the formula grants and, after May 2019, for discretionary grants.

In our opinion, these procedural deficiencies contributed to certain questionable grant awards and related activities as detailed in Findings 2, 3, and 4 of this report.

Recommendation 1

We recommend that OOCC establish comprehensive policies and procedures for

- awarding grants, including publicly soliciting grant proposals, formally evaluating grant proposals, and verifying related assertions, and a methodology for determining the amount of funds awarded and for maintaining related documentation;**
- independently verifying that formula grants were properly calculated and consistent with the related funding;**
- monitoring grant awards to ensure reported expenditures are properly supported, grant funds were used in accordance with grant agreements, and grant deliverables were received; and**
- ensuring grantee performance was consistent with the intended use of the funds by reviewing support for performance data reported by grantees, and conducting periodic site visits.**

Questionable Grant

Finding 2

OOCC did not have adequate justification for a \$750,000 grant awarded to a nonprofit organization for the purchase of a former country club and golf course.

Analysis

OOCC did not have adequate justification for a \$750,000 discretionary grant awarded in February 2019 to a nonprofit organization for the purchase of a former country club and golf course in Caroline County. According to the grant proposal, the intended purpose of the grant was to establish a program that uses agriculture and food to provide rehabilitation and healing to inmates on work release, students, and the broader community as part of the fight against opioids and addiction. As part of the program, the grantee stated its intent to develop a food center that included food processing, a farm-to-table restaurant, an event venue, and potentially a nine-hole golf course.

OOCC had no documentation to support its evaluation of the proposal and determination that the grantee's program would be effective, nor could OOCC justify the award amount. Specifically, the grant proposal made various assertions regarding the success of the program, including that the program used "a proven model that is already operating with phenomenal results in Charles County" and "has helped reduce recidivism and new addiction rates." However, the nonprofit provided no evidence to support these claims, which OOCC appeared to accept without questioning. In addition, although the proposal indicated that it would serve individuals from undefined "regional schools," the jurisdiction in which the grant program was proposed (Caroline County) had opioid deaths representing less than one percent of the total opioid deaths in the State in calendar year 2018. Furthermore, the award amount was significantly higher than any other award made to a nonprofit during that year, which were all \$100,000 or less.

Concerns with the propriety of the grant award were raised by the local health department that was to execute the grant agreement and process the grant disbursement, and similar concerns were included in the allegation submitted to our fraud, waste, and abuse hotline. The MDH Office of Inspector General also investigated an allegation regarding this grant and, due to concerns with the method in which the grant was awarded and the intended use of the funds, referred the matter to the Governor's Chief Counsel and the Attorney General's Criminal Division.

We discussed our concerns regarding the lack of justification for the grant with MDH senior management which was responsible for distributing the grant and were advised that, although the grant had been approved by the OOCC, the funds would not be distributed. OOCC management advised us that due to the complexity of executing a grant agreement that included the purchase of real estate, the award could not be funded by the end of fiscal year 2019.

Recommendation 2

We recommend that OOCC ensure that future grant awards are adequately justified, grantee assertions are verified, and that consideration be given to awarding funds to programs commensurate with the related needs in the respective jurisdictions similar to the methodology used to award the formula grants.

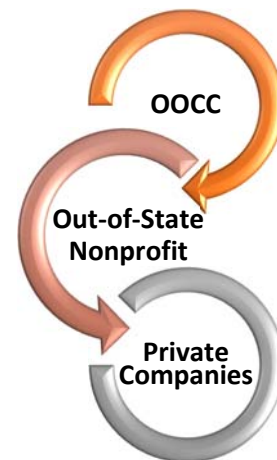
Questionable Grant Activity

Finding 3

OOCC awarded a \$100,000 grant to an out-of-state nonprofit organization that transferred almost all the funds to a for-profit company owned by senior management of the nonprofit; neither of which were registered to conduct business in the State of Maryland. In addition, the payment rate paid to the nonprofit was higher than the rate included in the grant proposal, without a reasonable explanation, and more than half of the required services were not provided.

Analysis

OOCC awarded a \$100,000 discretionary grant to an out-of-state nonprofit organization that then transferred almost all the funds to a for-profit company owned by senior management of the nonprofit, neither of which were registered to do business in the State. In addition, the payment rate paid to the nonprofit was higher than the rate included in the grant proposal and more than half of the required services were not provided. In March 2019, this out-of-state nonprofit organization submitted a grant proposal to OOCC to provide multisensory educational programs on drug prevention to middle schools and high schools throughout Maryland. OOCC awarded and ultimately disbursed \$100,000 in grant funds to the nonprofit to provide the educational programs during May and June 2019. Our review identified several concerns with the



out-of-state nonprofit and its senior management, which had not been identified by OCCC.

All Grant Funds Were Transferred to Private Companies

The out-of-state nonprofit organization transferred all \$100,000 of the OCCC grant funds to two private companies to perform the work required under the grant agreement. One of these companies, which accounted for \$96,100 of the grant expenditures, was owned by senior management of the nonprofit. The remaining \$3,900 was transferred to a company located in the Middle East. The transfer of these funds to private companies was inconsistent with OCCC's normal practice of awarding grants to government entities and nonprofit organizations.

OCCC was unaware that the nonprofit was not directly performing any of the services or of the use of the private company owned by senior management of the nonprofit. Furthermore, the use of the two private companies, neither of which OCCC had approved, violated the terms of the grant agreement which required the nonprofit to directly perform at least fifty percent of the services and obtain prior approval from OCCC before using any contractors. No prior or retroactive OCCC approval for the use of private contractors was sought or obtained by the nonprofit grantee.

In addition, the transfer of 96 percent of the grant funds to a private company owned by the nonprofit's senior management raises questions as to whether the nonprofit's activities were intended for the benefit of its senior management. In this regard, the Internal Revenue Code provides that a nonprofit organization must not be organized or operated for the benefit of private interests, and that no part of the organization's net earnings may inure to the benefit of any private shareholder or individual. The nonprofit organization's use of the private companies does not appear to be isolated to the OCCC grant. Our review of documentation from the IRS disclosed that during calendar years 2016 and 2017 the nonprofit paid 88 percent and 86 percent of its revenues, respectively, to a company owned by senior management of the nonprofit organization.

Nonprofit Legal Status was Questionable

At the time of the grant award, the out-of-state nonprofit organization and the two private companies to which the funds were transferred were not registered to do business in the State of Maryland as required by State law. In addition, our review of publicly available records from the IRS website indicated that, previously, the IRS had revoked the nonprofit organization's federal tax exemption status during calendar years 2010 through 2014 for failing to file the

required annual IRS Form 990 nonprofit tax return. These same records indicate that the IRS later retroactively reinstated the federal tax exemption status prior to the award of the grant once the nonprofit organization filed the required tax returns.

Payment Rate was Not Consistent with Grant Proposal

The payment rate specified in the grant agreement and on what the subsequent payments were based was not consistent with the nonprofit's grant proposal. Specifically, the grant proposal stated that the nonprofit would provide multisensory education programs at a cost of \$5,000 per day; however, the grant agreement provided for and the payments were based on a rate of \$6,667 per day. There was no documentation supporting the differing rates nor could OCCC provide a reasonable explanation to justify the rate increase, which resulted in OCCC paying the grantee \$25,000 more than the \$75,000 stipulated in the grant proposal for the same theoretical level of service.

Grant Deliverables were Not Received

The nonprofit provided fewer than half of the required services identified in the grant agreement even though it received the full grant award. The grant agreement provided that the out-of-state nonprofit organization was to provide two opioid educational programs at 15 schools. However, based on the documentation we obtained for all 15 schools, we noted that one of the 15 schools did not receive either of the programs and the other 14 schools received only one of the required two programs. As noted above, the nonprofit was paid a rate per day and was not paid per program; therefore, we could not readily determine the value of the programs that were not provided.

In addition, during the course of this review, we became aware of another grant provided to the nonprofit organization by the State. Specifically, State law, unrelated to the opioid crisis, provides that this nonprofit shall receive funding of \$1 million (\$250,000 per year in fiscal years 2020 through 2023), which is currently being administered as a grant by the Governor's Office of Crime Control and Prevention (GOCCP). We obtained the fiscal year 2020 grant agreement between the nonprofit organization and GOCCP and noted that the agreement required the nonprofit to provide similar multisensory drug prevention educational programs, and that 90 percent of the funding was budgeted for work by contractors. Since this was a non-OCCC grant, we did not review or assess the propriety of the GOCCP grants.

Recommendation 3

We recommend that OOCC

- a. only award grants to entities registered to do business in the State of Maryland,
- b. ensure that grantees adhere to formal requirements regarding directly providing services and the use of OOCC-approved contractors,
- c. refrain from awarding grants to nonprofit entities that transfer a substantial portion of grant funds to third parties unless there is adequate justification for the value being added by the nonprofit,
- d. ensure that payment rates specified in grant agreements are consistent with the related grant proposals and monitor grantees to ensure that all required services are provided and terms of the agreements are followed, and
- e. consult with the Office of the Attorney General – Criminal Division regarding recovery of any amounts determined to be overpaid to the nonprofit.

Finding 4

OOCC awarded a \$40,959 grant to a nonprofit organization that was not consistent with the related grant proposal. In addition, purchases specified in the grant agreement appeared to have no correlation to the related performance measures, and certain grant expenditures appeared questionable.

Analysis

OOCC awarded a \$40,959 grant to a nonprofit organization to be used in a manner that was not consistent with the related grant proposal. In addition, purchases specified in the grant agreement appeared to have no correlation to the related performance measures and certain grant expenditures appeared questionable. OOCC contracted with a local health department to execute a grant agreement with a nonprofit organization operating a transitional sober living residence. The nonprofit's grant proposal specified that the funds were to be used primarily for staffing and for costs related directly to the treatment of the individuals living at the residence, such as medical services and transportation. However, the grant agreement provided that the full amount of the grant funds were to be used to purchase a box truck, a commercial lawn mower, a gas grill, and propane.

Items Purchased with Grant Funds

Item	Cost
Box Truck	\$17,500
Lawn Mower	\$10,600
Gas Grill	\$2,199
Propane	\$10,660

Source: OOCC Records

The purchases specified in the grant agreement had no obvious correlation to performance measures included in the grant agreement. For example, one performance measure was the number of clergy and lay spiritual leaders who would be trained to minister to their home-church membership. OOCC could not adequately explain the discrepancy between the grant proposal and the related grant agreement nor explain how the purchases would impact the performance measures.

Finally, while OOCC had copies of the related invoices on file, the local health department did not verify that any of the items to be purchased with the grant funds were actually received by the grantee and were being used for opioid related programs before making the related payment. In addition, we question the legitimacy of one of these invoices. Specifically, the \$10,660 invoice for propane did not contain the vendor's company logo, website, and phone number, and omitted critical information regarding the date, quantity, and rate of the propane delivered. Furthermore, the format and appearance of the invoice and the lack of details were not consistent with copies of invoices submitted by this vendor to other State agencies that we sighted. We were advised that OOCC subsequently contacted the vendor appearing on the invoice, and obtained a transaction printout dated December 17, 2019. The document obtained showed a \$9,488 credit balance on the grantee's account that was not consistent with the invoice on file at OOCC.

Recommendation 4

We recommend that OOCC

- a. ensure that future grant agreements are consistent with related grant proposals, and document the justification for any changes;**
- b. ensure that purchases specified in grant agreements have a demonstrable direct correlation with the related performance measures; and**
- c. after consulting with the Office of the Attorney General – Criminal Division, determine whether the grantee received the items reported to have been purchased with grant funds and was using them for opioid related programs and recover any grant funds that cannot be supported.**

Budgetary Closeout

Finding 5

During the June 30, 2019 fiscal year closing process, MDH and BHA improperly recorded certain expenditures on behalf of OOCC retaining general fund appropriations for future years.

Analysis

MDH's Office of the Secretary and BHA improperly recorded certain expenditures at the end of fiscal year 2019, on behalf of OOCC, to retain general fund appropriations for future years. This practice violated the Comptroller of Maryland – General Accounting Division's (GAD) annual closing instructions since the expenditure accruals did not represent actual expenditures for goods or services received during fiscal year 2019 that remained outstanding (or unpaid) as of fiscal year-end. During the course of our review of the aforementioned grants, we identified three transactions totaling \$489,740 processed at the end of fiscal year 2019, and noted the following conditions related to two of the transactions:

- BHA recorded expenditures on behalf of OOCC totaling \$400,000 at the end of fiscal year 2019 that could not be supported. The expenditures related to a grant executed between OOCC and the Maryland Higher Education Commission (MHEC) on June 25, 2019. BHA did not have any support for the recorded expenditures, and based on our review, no services were provided by MHEC during fiscal year 2019 to support this transaction. Accordingly, the funds should have been reverted to the State's General Fund.
- MDH Office of the Secretary recorded expenditures on behalf of OOCC totaling \$20,436 that could not be supported. The expenditures related to a grant awarded to a nonprofit organization, for mentoring services for at-risk youth that expired on June 30, 2019. There was no support on file for the recorded expenditures. OOCC subsequently spent \$10,506 of these funds for services performed in fiscal year 2020 after the grant had expired and, as of September 11, 2019, had not reverted the remaining \$9,930 to the State's General Fund.

GAD's annual closing instructions state that all fund balances carried into the next fiscal year be done so in accordance with State statute, regulation, or policy. *The State Policy on Accounts Payable, Accrued Expenditures, and Encumbrances*, which is included in these closing instructions, states that expenditures should be accrued only when goods or services have been received prior to fiscal year-end, but not invoiced.

Recommendation 5

We recommend that OOCC

- a. record fiscal year-end transactions in accordance with the
aforementioned GAD instructions and *Policy*, and**
- b. revert any funds improperly retained to the State's General Fund.**

APPENDIX



LARRY HOGAN
GOVERNOR
COMMANDER-IN-CHIEF

STATE OF MARYLAND
MILITARY DEPARTMENT
FIFTH REGIMENT ARMORY
BALTIMORE, MARYLAND 21201-2288

TIMOTHY E. GOWEN
MAJOR GENERAL
THE ADJUTANT GENERAL

February 4, 2020

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Hook,

We are providing this letter in connection with your fiscal compliance audit of the Opioid Operational Command Center (OCC) for the period beginning January 24, 2017 and ending June 30, 2019 for the purposes of examining the OCC's financial transactions, records, and internal controls and of evaluating its compliance with applicable State laws, rules and regulations.

While the OCC concurs with most of the observations in the audit report, the document omits critical information pertaining to new policies and procedures that the OCC identified and began implementing prior to the commencement of this audit. Additionally, important contextual information related to specific proposals has been omitted or mischaracterized.

The OCC identified the need to update existing grant award policies and procedures at the beginning of the current leadership team's tenure and believes that no individual grant was more affected than another by any procedural shortcoming. Accordingly, in February 2019, the OCC began taking measures to address concerns related to earlier OCC appropriations policies and procedures. The OCC's policies and procedures have been revised to include:

- Criteria for grant applications, awards, and deliverables.
- Requirements for grant and grantee eligibility and performance.
- Mechanisms to increase public awareness of future OCC funding opportunities.
- Standards that help to mitigate fraud, waste, conflict of interest, and misappropriation.

These improved policies and procedures were in the process of being implemented prior to the initiation of this audit, and they were further refined using insights provided by the auditors during the course of this process. The OCC will be happy to provide copies of the relevant policy and procedure documents at your request.

NGMD-TAG

Additionally, other specific findings noted in the auditors' introductory letter and report require additional context and detail, including:

- The OOCC was unaware of any concerns held by the local health department responsible for executing the grant agreement and disbursements associated with the \$750,000 grant award, which was intended to support development of an agricultural-based treatment program. Despite ongoing, regular, and cordial communications with the local health department, no reservations about fraud, waste, abuse, or the overall propriety of this grant were raised to the OOCC. The only concerns shared with the OOCC about this grant were general in nature and were related to the management of, and legal issues associated with, any grant involving a real estate transaction. Furthermore, the fact that the site chosen for this treatment program was once associated with a country club and golf course is irrelevant, and the inclusion of this information in the audit report is not only unnecessary but also a mischaracterization.
- The OOCC concurs with the auditors' observation that a nonprofit organization that was awarded a \$100,000 grant to provide educational programs on drug prevention to Maryland students technically violated the terms of its grant agreement by transferring funds to a for-profit organization owned by the nonprofit organization's senior management. The grantee should have sought OOCC consent for any such transfers. However, all of the work proposed under this grant was completed per the OOCC's expectations. The OOCC has verified that each of the 20 schools slated to receive services under the grant proposal has received the full amount of services originally intended. Despite the issue of a contract that lacked detail sufficient to define clearly the project's scope, the OOCC is confident that the grant proposal was satisfied and that students at the subject schools benefited from the services. (The OOCC acknowledges that the contract is ambiguous and that it could be interpreted to mean that two programs were required, even though that was not the intention of the parties.)
- The OOCC agrees with the auditors' assertion that a \$40,959 grant to a nonprofit organization was not consistent with the grant application. Since the awardee's original proposal called for approximately \$250,000 in funding, the OOCC worked with the Maryland Behavioral Health Administration (BHA) to develop a more cost-effective alternative that would support the nonprofit organization's ability to establish a transitional sober-residence program. It was with the OOCC's full knowledge and understanding – and as much was reflected in the final grant agreement – that grant funds were used for a truck, gas grill, propane, and lawnmower, all of which were required to meet the organization's needs as a startup. Furthermore, the OOCC confirmed that an invoice for the propane was legitimate after verifying the details of the propane purchase with the vendor. If the auditor is in possession of additional information that would bring into question the validity of this point, the OOCC would like to be apprised of the relevant details.

The OOCC agrees with the majority of OLA's findings and agrees with most of the stated recommendations. However, we have taken the opportunity provided by the attached response to clarify certain statements and representations found in the audit. Furthermore, we have provided additional detail to support our positions.

NGMD-TAG

We look forward to working with your office to complete this audit in a manner that is thorough, accurate, and satisfactory to both of our offices and to the State of Maryland.

We would like to commend the audit team for their professionalism and the thoroughness of their work.

Thank you,



Steven R. Schuh, Executive Director

February 4, 2020



Danielle Holmes, Director of Finance

February 4, 2020

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Grant Award and Monitoring

Finding 1

OOCC did not have written policies and procedures for the selection of grantees, amounts awarded, and the monitoring of grantees. We noted numerous deficiencies with the grant process that raised questions about the overall integrity of grant awards and related payments.

We recommend that OOCC establish comprehensive policies and procedures for

- a. awarding grants, including publicly soliciting grant proposals, formally evaluating grant proposals, and verifying related assertions, and a methodology for determining the amount of funds awarded and for maintaining related documentation;**
- b. independently verifying that formula grants were properly calculated and consistent with the related funding;**
- c. monitoring grant awards to ensure reported expenditures are properly supported, grant funds were used in accordance with grant agreements, and grant deliverables were received; and**
- d. ensuring grantee performance was consistent with the intended use of the funds by reviewing support for performance data reported by grantees, and conducting periodic site visits.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The OOCC agrees with the contents of this section with the following exceptions:</p> <ul style="list-style-type: none">• On pg. 14, in the <i>Grant Selection and Award</i> subsection, there is a reference to the OOCC’s grant-proposal evaluation and rating practices. OOCC supports the recommendation related to providing additional documentation on the scoring process. However, it must be noted that the initial ratings of the OOCC scoring committee members are preliminary in nature and for individual scorers’ use only. Only final, committee scores are relevant to the scoring process, and these final scores are assigned by the full committee only after the completion of collaborative deliberations. In the example of a grant for \$62,000, the auditors have failed to acknowledge that preliminary ratings given by individual scoring committee

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	<p>members are immaterial to the committee’s consensus scores, nor that a final score of “high priority” was awarded in this case.</p> <ul style="list-style-type: none"> On page 15, in the <i>Grant Selection and Award</i> subsection, there is an indication that the OOCB does not have processes to verify nonprofit organizations’ authorizations to do business in the State of Maryland or standing with the Internal Revenue Service (IRS). The OOCB now has documented procedures in place to review both nonprofit organizations’ business registrations and statuses with the IRS.
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Auditor’s Comment: OOCB maintains that the individual committee member scores are immaterial to the committee’s consensus scores and that a final score of “high priority” was awarded in this case. However, OLA believes that the individual member scores by their very nature are significant in this circumstance and discrepancies between the individual member scores and the overall scores should be explained in writing to ensure the integrity of the evaluation process. Documentation provided by OOCB does not support a final score of “high priority”.

OOCB also indicates that it now has procedures to verify nonprofit organizations. However, as noted in this finding, these procedures were not in place at the time of our review.

Recommendation 1a	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCB agrees with this recommendation. In February 2019, the OOCB began taking measures to address concerns related to earlier OOCB appropriations policies and procedures. Such issues had already been identified by the OOCB’s leadership and senior administration staff and were being rectified prior to the initiation of this audit. The OOCB began public solicitation for competitive grants beginning in summer of 2019 for the FY2020 award cycle.		
Recommendation 1b	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCB agrees with this recommendation, and we will modify our procedures to include a second review of any calculations used to determine formula-based grant funding.		
Recommendation 1c	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCB agrees with this recommendation. In February 2019, the OOCB began taking measures to address concerns related to earlier OOCB appropriations policies and procedures. Such issues had already		

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	<p>been identified by the OOCC’s leadership and senior administration staff and were being rectified prior to the initiation of this audit. Additionally, in July of 2019, acting in part on OLA recommendations, the OOCC hired a full-time grants program administrator to monitor grant awards and grantee performance.</p>		
Recommendation 1d	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	<p>The OOCC agrees with this recommendation. In February 2019, the OOCC began taking measures to address concerns related to earlier OOCC appropriations policies and procedures. Such issues had already been identified by the OOCC’s leadership and senior administration staff and were being rectified prior to the initiation of this audit. Additionally, in July of 2019, acting in part on OLA recommendations, the OOCC hired a full-time grants program administrator to monitor grant awards and grantee performance.</p>		

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Questionable Grant

Finding 2
OOCC did not have adequate justification for a \$750,000 grant awarded to a nonprofit organization for the purchase of a former country club and golf course.

We recommend that OOCC ensure that future grant awards are adequately justified, grantee assertions are verified, and that consideration be given to awarding funds to programs commensurate with the related needs in the respective jurisdictions similar to the methodology used to award the formula grants.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The OOCC agrees with the contents of this section with the following exceptions:</p> <ul style="list-style-type: none"> On pg. 18, the <i>Analysis</i> subsection states that, “OOCC did not have adequate justification for a \$750,000 discretionary grant awarded in February 2019 to a nonprofit organization for the purchase of a former country club and golf course in Caroline County.” The planned \$750,000 grant award was intended to support development of an agricultural-based treatment program. The fact that the site chosen for this treatment program was used many years ago as a country club and golf course is irrelevant, and the inclusion of this information in the audit report is not only unnecessary but also a mischaracterization. The property is now undeveloped agricultural land. On pg. 18, the <i>Analysis</i> subsection states that, “... the nonprofit provided no evidence to support these claims, which OOCC appeared to accept without questioning.” The OOCC did not accept such claims without question. In fact, OOCC staff visited the site of the proposed agricultural-based treatment program on multiple occasions, visited the sites of existing agricultural-based treatment programs (including one affiliated with the proposed program), listened to testimony from former clients, and conducted several telephone conferences with officials of both the existing and proposed agricultural-based treatment programs, all with the purpose of verifying details of the program and related claims. On pg. 18, the <i>Analysis</i> subsection states that, “Concerns with the propriety of the grant award were raised by the local health department that was to execute the grant agreement and process

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	the grant disbursement ...” Despite ongoing, regular, and cordial communications with the local health department, no reservations about fraud, waste, abuse, or the overall propriety of this grant were raised to the OOCC. The only concerns shared with the OOCC about this grant were general in nature and were related to the management of, and legal issues associated with, any grant involving a real estate transaction.
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Auditor’s Comment: OOCC’s response indicates that the reference to the former country club and golf course is irrelevant. However, we continue to believe that this information is relevant because, as stated in our report, the grant proposal includes the use of the property for a potential nine-hole golf course.

OOCC’s response also disagrees with our statement that it accepted the nonprofit organization’s claims without questioning and indicates that it had taken several steps to verify the claims including site visits, phone calls and testimony from former clients to support the claims. These new assertions were never mentioned in the course of our work or subsequent to the OLA review during which we held numerous meetings with OOCC management, and there was no documentation to support any of these efforts.

Furthermore, OOCC’s response indicates that no reservations about fraud, waste, abuse or the overall propriety of this grant were raised to the OOCC and that the only concerns were general in nature. However, our review identified that OOCC had been notified in writing about specific irregularities in this grant award process by the MDH Office of Inspector General in April 2019.

Recommendation 2	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. The express purpose of the OOCC’s Competitive Grant Program is to provide opportunities for organizations to compete for grants meeting certain needs and priorities that may not be addressed through our formula-based Block Grant Program. The OOCC employs a two-program structure specifically to ensure that our grant awards are available to benefit areas of greatest need throughout the state.		

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Questionable Grant Activity

Finding 3
OOCC awarded a \$100,000 grant to an out-of-state nonprofit organization that transferred almost all the funds to a for-profit company owned by senior management of the nonprofit; neither of which were registered to conduct business in the State of Maryland. In addition, the payment rate paid to the nonprofit was higher than the rate included in the grant proposal, without a reasonable explanation, and more than half of the required services were not provided.

We recommend that OOCC

- a. only award grants to entities registered to do business in the State of Maryland,**
- b. ensure that grantees adhere to formal requirements regarding directly providing services and the use of OOCC-approved contractors,**
- c. refrain from awarding grants to nonprofit entities that transfer a substantial portion of grant funds to third parties unless there is adequate justification for the value being added by the nonprofit,**
- d. ensure that payment rates specified in grant agreements are consistent with the related grant proposals and monitor grantees to ensure that all required services are provided and terms of the agreements are followed, and**
- e. consult with the Office of the Attorney General – Criminal Division regarding recovery of any amounts determined to be overpaid to the nonprofit.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The OOCC agrees with the contents of this section with limited exceptions (as noted in our response below to recommendations C and E). In response to the findings referenced in the subsection <i>Grant Deliverables Were Not Received</i> on pg. 21, we do not agree with the statement that, “the nonprofit provided fewer than half of the required services identified in the grant agreement.” However, we do agree that <u>all</u> of the required services should have been performed in all 20 schools by the grantee or else the associated funds should have been returned. In furtherance thereof, the OOCC has verified that each of the 20 schools slated to receive services under the grant proposal has received the full amount of services originally intended. Despite the issue of a contract that lacked detail sufficient to clearly define the project’s scope, the OOCC is confident that: the grant proposal was satisfied; the nonprofit organization does not owe money to the State of Maryland; the nonprofit organization’s contract for this grant has been</p>

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	fulfilled; and the students at the subject schools benefited from the services.
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Auditor’s Comment: OCCC’s response indicates that it disagrees that the nonprofit organization provided fewer than half of the required services identified in the agreement and had confirmed that all 20 schools had received all the required services. OCCC also indicates that despite the ambiguities in the grant agreement, no money was owed by the nonprofit. However, as noted in the finding, the grant agreement clearly stipulated the required services and we confirmed with documentation from the related schools that the services were not provided. Therefore, the assertions made in OCCC’s response are not valid.

Recommendation 3a	Agree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	The OCCC agrees with the spirit of the recommendation: Business should only be conducted with entities legally permitted to do business in the state of Maryland. However, the OCCC believes that opioid-related services can be provided by entities headquartered in any location and that doing business with entities headquartered in other jurisdictions should remain an option so long as those entities are legally permitted to do business in the State of Maryland.		

Auditor’s Comment: OCCC’s response indicates that it desires to use the services of entities located outside of the State. Our report does not take issue with using out-of-state entities provided they are appropriately registered to do business in the State of Maryland.

Recommendation 3b	Agree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	The OCCC agrees with this recommendation. In February 2019, the OCCC began taking measures to address concerns related to earlier OCCC appropriations policies and procedures. Such issues had already been identified by the OCCC’s leadership and senior administration staff and were being rectified prior to the initiation of this audit.		

Auditor’s Comment: OCCC’s response indicates that it took action to address the issues included in our report in February 2019, prior to the commencement of the OLA review. However, the concerns identified in our finding occurred after February 2019 and accordingly OCCC needs to ensure its policies are sufficient to address these concerns.

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Recommendation 3c	Agree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. There are circumstances where it is not only appropriate, but also standard practice, for non-profit organizations to procure substantial portions of their services through contractors and the value in doing so is adequately justified. This is common in the case of specialized and/or skilled service offerings.		
Recommendation 3d	Agree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. In February 2019, the OOCC began taking measures to address concerns related to earlier OOCC appropriations policies and procedures. Such issues had already been identified by the OOCC's leadership and senior administration staff and were being rectified prior to the initiation of this audit.		

Auditor's Comment: OOCC's response indicates that it took action to address the issues included in our report in February 2019, prior to the commencement of the OLA review. However, the concerns identified in our finding occurred after February 2019 and accordingly OOCC needs to ensure its policies are sufficient to address these concerns.

Recommendation 3e	Agree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	<p>The OOCC has verified that each of the 20 schools slated to receive services under the grant proposal has received the full amount of services originally intended. The nonprofit organization in question does not owe any money to the State of Maryland, and its contract for this grant has been fulfilled.</p> <p>As a result of the audit, the OOCC became aware of the need for the grantee to fulfill its obligation to provide services to six schools (five of which had not yet received services and one of which had received the wrong services) and commenced immediate action. While OOCC staff did attend one of these five programs, we requested written confirmation from the grantee that all five were completed, and we verified that the required services were completed. Furthermore, the OOCC has now confirmed that each of the 20 schools has received appropriate, intended programming.</p> <p>Note that neither the OOCC nor the grantee intended that the grantee would deliver two educational programs at each school, nor did the contract require the grantee to do so. Our original expectation, and that of the grantee, was that the grantee would deliver only one program per school. We acknowledge that the contract is ambiguous and that it could be interpreted to mean that two programs were required, even though</p>		

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	that was not the intention of the parties. Additionally, the OOCC has worked with the Office of the Attorney General - Criminal Division to confirm that there are no outstanding issues related to overpayment and/or service delivery.
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Auditor's Comment: OOCC's response indicates that the grant agreement did not require two education programs at each school. However, as noted in the finding, the grant agreement categorically provided for two programs at each school, but more than half of the required services were not provided.

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Finding 4
OOCC awarded a \$40,959 grant to a nonprofit organization that was not consistent with the related grant proposal. In addition, purchases specified in the grant agreement appeared to have no correlation to the related performance measures, and certain grant expenditures appeared questionable.

We recommend that OOCC

- a. ensure that future grant agreements are consistent with related grant proposals, and document the justification for any changes;**
- b. ensure that purchases specified in grant agreements have a demonstrable direct correlation with the related performance measures; and**
- c. after consulting with the Office of the Attorney General – Criminal Division, determine whether the grantee received the items reported to have been purchased with grant funds and was using them for opioid related programs and recover any grant funds that cannot be supported.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The OOCC agrees with the contents of this section. Please refer to our response to recommendation C below in this subsection.		
Recommendation 4a	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. In February 2019, the OOCC began taking measures to address concerns related to earlier OOCC appropriations policies and procedures. Such issues had already been identified by the OOCC’s leadership and senior administration staff and were being rectified prior to the initiation of this audit.		

Auditor’s Comment: OOCC’s response indicates that it took action to address the issues included in our report in February 2019, prior to the commencement of the OLA review. However, the concerns identified in our finding occurred after February 2019 and accordingly OOCC needs to ensure its policies are sufficient to address these concerns.

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Recommendation 4b	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. All future contracts will be approved by our agency's designated Assistant Attorney General.		
Recommendation 4c	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation, and we have consulted with the Office of the Attorney General – Criminal Division regarding our intent to verify the legitimacy of the grantee's purchases and their use as they pertain to the conditions of the grant award. It was with the OOCC's full knowledge and understanding – and it was reflected in the final associated grant agreement – that grant funds were used for a truck, gas grill, propane, and lawnmower, all of which were required to meet the organization's needs as a startup. On 1/30/2020, the OOCC performed a site visit to review the grantee's operations. The OOCC has 1) confirmed that the grantee's purchases were legitimate and 2) reviewed documentation from the appropriate vendors that supports the legitimacy of the purchases.		

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Budgetary Closeout

Finding 5

During the June 30, 2019 fiscal year closing process, MDH and BHA improperly recorded certain expenditures on behalf of OCCC retaining general fund appropriations for future years.

We recommend that OCCC

- a. record fiscal year-end transactions in accordance with the aforementioned GAD instructions and *Policy*, and**
- b. revert any funds improperly retained to the State’s General Fund.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The OCCC agrees that any funds improperly retained should be reverted to the State's General Fund, and the OCCC will work with the Maryland Department of Health (MDH) to revert any such funds.</p> <p>Regarding the \$400,000 grant that could not be supported, our understanding was that the agreement between the OCCC and MHEC prior to the close of FY2019 was sufficient for the accrual. This understanding was based upon <i>The State Policy on Accounts Payable, Accrued Expenditures, and Encumbrances</i>, which was provided by the Comptroller of Maryland – General Accounting Division (GAD). This policy reads in part, "In the event there is any appropriation balance remaining after recording all accounts payable and accrued expenditures, such balance may be used to record allowable encumbrances. Encumbrances are defined as approved purchase orders, contracts, or other commitments for goods that have not been provided <i>or for services that have not yet been rendered to the state.</i>" (<i>Italics added</i>)</p> <p>Additionally, the OCCC has confirmed with the Behavioral Health Administration (BHA) that unused grant funds will be reverted to the State General Fund.</p>

Auditor’s Comment: OCCC’s response indicates that the grant agreement was sufficient for the accrual. However, the GAD closing instructions and the referenced *State Policy* do not permit an accrual in this situation and accordingly the funds should be reverted unless approval is received from GAD and the Department of Budget and Management to retain the funds.

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Recommendation 5a	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. The OOCC will ensure that future fiscal year-end transactions are recorded in accordance with Comptroller of Maryland – GAD guidance.		
Recommendation 5b	Agree	Estimated Completion Date:	ASAP
Please provide details of corrective action or explain disagreement.	The OOCC agrees with this recommendation. The OOCC agrees that any funds improperly retained should be reverted to the State's General Fund and has confirmed with BHA that unused grant funds will be reverted to the State General Fund.		