

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FOLLOW-UP TO REPORT NO. 09-01
STATE GRANT FUNDS SUB-GRANTED TO
THE MENTAL HEALTH ASSOCIATION
OF FREDERICK COUNTY
FOR THE PERIOD JULY 1, 2006
THROUGH MARCH 31, 2008
ISSUED JULY 16, 2008**

**REPORT # 09-09
MAY 20, 2009**





**INTERAGENCY INTERNAL AUDIT AUTHORITY
INTERNAL AUDIT DIVISION
FREDERICK COUNTY, MARYLAND**

COUNTY GOVERNMENT PUBLIC SCHOOLS COMMUNITY COLLEGE
8 East Second Street, Suite 100 • Frederick, Maryland 21701
301-600-1154 • FAX 301-600-2211 • TTY Use Maryland Relay
www.co.frederick.md.us

May 20, 2009

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Director, Citizens Services Division
520 North Market Street
Frederick, MD 21701

Nancy K. Cline
Chairman of the Board
Mental Health Association of Frederick County, Inc.
22 Kline Blvd
Frederick, MD 21701

COUNTY MANAGER

Ronald A. Hart

CAE/DIRECTOR

Richard A. Kaplan

We have completed our follow-up review of the recommendations made in Audit Report No. 09-01, "State Grant Funds Sub-Granted to the Mental Health Association of Frederick County for the Period July 1, 2006 through March 31, 2008," issued July 16, 2008. We found that all five recommendations made have been implemented by the Office of Children and Families (OCF) and the Mental Health Association of Frederick County (MHA) and no further actions are needed.

Recommendation 1: We recommended that MHA work with OCF and the State of Maryland's Governor's Office for Children (GOC) to determine whether retroactive approval is feasible for the \$43,320 in grant monies that MHA spent outside of the FY 07 grant period. Both MHA and OCF did provide evidence of working together to make this request, which was approved by the GOC on September 25, 2008.

Recommendation 2: We recommended that OCF recover the \$31,639 in FY 07 grant funds that were reimbursed in excess of the revised expenditures reported by MHA, and the \$8,857 in MHA costs that were disallowed for FY07 and FY08 grant expenditures. We also recommended that OCF then return the recovered funds to the GOC in accordance with GOC guidelines.

MHA reversed the \$6,817 of disallowed costs from FY 08 grant activity prior to the close of the FY 08 grant period, so these costs were neither claimed by MHA nor reimbursed by OCF and did not need to be recovered. OCF did recover the remaining \$2,040 of disallowed costs from FY 07, plus the \$31,639 of grant funds reimbursed in excess of revised expenditures reported by MHA, for a total



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**Memorandum to Margaret Nusbaum, Director, Citizens Services Division and
Nancy K. Cline, Chairman of the Board Mental Health Association of Frederick County, Inc.**

of \$33,679. The recovery was achieved by reducing FY 2008 payments made to MHA for the Single Point of Access grant by \$17,827.93 and for the Systems Navigation grant by \$15,851.07. The recovered funds were disclosed in the "Year End Report for Fiscal Year 2008" that OCF submitted to GOC on November 14, 2008, and will be included in the multiyear reconciliation that GOC will perform within the next few years.

Recommendation 3: We recommended that OCF require that MHA provide its Business Manager with extensive grants accounting training as a stipulation for future grants. In response to this recommendation, OCF included language in its FY09 grant renewal agreements stipulating that receipt of grant funds from OCF is "dependent upon demonstration that MHA's Business Manager has successfully completed an OCF-approved Grants Management Training by 12/31/08." Both MHA and OCF provided documentation that MHA's Business Manager did complete this training.

Recommendation 4: We recommended that MHA provide periodic oversight by a person knowledgeable in grants accounting to ensure that accurate records are maintained for all grants, including an annual review of the appropriateness and allowability of the allocation methods that the Business Manager determines will be used each year for the grants. MHA's Business Manager indicated that she has continued to use the allocation methodology approved by the County's grant accountant in the spring of 2008. Further, MHA hired Linton, Shafer, Warfield and Garrett (LSWG) to conduct their 2008 audit, which included a review of the appropriateness and allowability of the allocation methods used by the Business Manager. The Chief Executive Officer of MHA provided Internal Audit a copy of that audit report and noted that there were no findings relating to grants accounting or allocation methodology. LSWG will be conducting MHA's annual financial audit, including testing grants accounting and allocation methodology, for the next two years.

Recommendation 5: We recommended that OCF follow their procedures and ensure that sub-grantees report and record actual expenditures at the grant level. To help ensure that sub-grantees understand this procedure, OCF held a management training session in June 2008 to explain reporting requirements. Also, OCF has implemented a new fiscal monitoring process that includes transaction sampling of current year expenditures for grantees and sub-grantees that receive over \$100,000, as well as those who show inconsistencies between approved budgets, reported amounts, and/or activity reports, or that have any questionable entries on the supporting documentation.

If you need further information regarding this follow-up review, please contact Richard Kaplan, Director, Internal Audit Division at 301-600-1675.


Interagency Internal Audit Authority

pc: Pat Hanberry, CEO, Mental Health Association
Christal Henson, Director, Office of Children and Families
Becky Lafoon, Fiscal Monitor, Office of Children and Families