

PERFORMANCE AUDIT REPORT
BALTIMORE DEVELOPMENT CORPORATION
FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015



Department of Audits

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



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Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore, Maryland

We conducted a performance audit of selected functions within the Baltimore Development Corporation (BDC) for the fiscal years ended June 30, 2016 and 2015 (the stated period). The purpose of our performance audit was to determine whether BDC met its performance measure targets, and to determine whether its internal controls and the related policies and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to selected performance measures or functions for the stated period. Our performance audit also included a follow-up of findings and recommendations that were included as part of our previous performance audit reports of the Baltimore Development Corporation, dated February 9, 2017.

As a result of our audit, we determined BDC met the targets for the selected performance measures, and its internal controls and the related policies and procedures were effectively designed and placed in operations to monitor, control, and report valid and reliable information that is significant to the selected performance measures or functions for the stated period. We also determined the status of prior year recommendations that were included as part of our previous performance audit report of the Baltimore Development Corporation, dated February 9, 2017, as fully implemented.

A handwritten signature in blue ink, appearing to read "Audrey Askew".

Audrey Askew, CPA
Deputy City Auditor
December 29, 2017

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Baltimore Development Corporation
Background Information & Audit Scope, Objectives and Methodology
Fiscal Years Ended June 30, 2016 and 2015

Background Information

The Baltimore Development Corporation (BDC) is a non-profit organization incorporated August 30, 1991. BDC serves as the economic development agency for the City of Baltimore. As reported in the Comprehensive Annual Financial Report (CAFR) for the City of Baltimore, BDC is classified as a related organization of the City. BDC is contracted and funded by the Baltimore City Department of Housing and Community Development. BDC's mission is to retain and expand existing businesses, support cultural resources, and attract new opportunities that spur economic growth and help create jobs. BDC serves as a one-stop shop for anyone interested in opening, relocating or expanding a business in Baltimore City. BDC has the responsibility for city-wide economic and downtown development which includes but is not limited to: business retention; spurring minority and women participation in business; creating a coordinated marketing effort to promote the development of downtown; promoting urban tourism; improving neighborhood commercial revitalization; and expanding Baltimore's role as an international gateway.

BDC's functions focus on increasing jobs in Baltimore's key growth sectors, expanding companies located in Baltimore, investing in Baltimore, providing significant financial benefit to Baltimore and the State of Maryland, and fostering opportunities for Minority Business and Women Business Enterprises (MBE/WBE) participation.

Audit Scope, Objectives and Methodology

We conducted a performance audit of selected functions within the Baltimore Development Corporation for the stated period. The purpose of our performance audit was to determine: a) whether BDC met its performance measure targets, and b) whether its internal controls and the related policies and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to selected performance measures or functions for the stated period. Our performance audit included follow-ups of prior year findings in BDC's previous performance audit report, dated February 9, 2017. We conducted our performance audit 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.

The objectives of our audit were to determine whether BDC met its targets for selected performance measures in the stated period and to assess whether BDC's internal controls and related policies, processes, and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information related to those performance measures. In addition to our follow-up on the findings and recommendations contained in our

Baltimore Development Corporation
Audit Scope, Objectives and Methodology (continued)
Fiscal Years Ended June 30, 2016 and 2015

previous performance audits, our audit included selected performance measures within the following Baltimore Development Corporation Service Areas:

1. **Service 814: Improve and Promote Retail Districts Beyond Downtown.** We conducted our audit of the Baltimore Development Corporation's efforts to meet its target for number of outreach visits to small businesses. (Priority Outcome: Vibrant Economy)

2. **MBE/WBE Businesses Assisted.** We conducted our audit of the Baltimore Development Corporation's efforts to meet its target for MBE/WBE businesses assisted.

To accomplish our objectives, we conducted inquiries of key individuals to obtain an understanding of the internal controls and related policies, processes and procedures, and systems, established by the Baltimore Development Corporation (BDC) for the selected performance measures. Where possible, we also utilized the systems' documentation obtained as part of our audit of the City's Comprehensive Annual Financial Report (CAFR). We also performed tests, as necessary, to verify our understanding of the applicable policies and procedures; reviewed applicable records and reports utilized to process, record, monitor, and control BDC's functions pertaining to the selected performance measures; assessed the efficiency and effectiveness of those policies and procedures; and determined whether the Baltimore Development Corporation met its performance measure targets.

The results of our audit are summarized in the Audit Results section of this Audit Report.

Baltimore Development Corporation
Audit Results
Fiscal Years Ended June 30, 2016 and 2015

As a result of our audit, we found that BDC met its targets for the selected performance measures, and its internal controls and related policies, processes, and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to the selected performance measures or functions for the stated period. We noted no findings and have no recommendations.

**Baltimore Development Corporation
Status of Prior Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

The following information is a summary of the status of the prior findings and recommendations included as part of the prior performance audit report of the Baltimore Development Corporation, dated February 9, 2017.

Retention, Expansion, and Attraction of Business

Previous Finding #1

BDC did not meet its target for the number of companies assisted in staying in Baltimore City during fiscal year 2014. However, because of missing data and discrepancies in data to support the actual reported numbers, we could not determine whether the reported performance measure numbers were accurate and reliable for fiscal years 2014 and 2015.

Previous Recommendation #1

We recommended that BDC establish procedures to report the number of companies assisted in staying in Baltimore City in the correct fiscal during which companies were actually assisted in staying in Baltimore City. We also recommend that BDC establish or improve its policies and procedures to adequately maintain its records for the companies assisted in staying in Baltimore.

Follow-up Status #1

Implemented. We did a walkthrough of the BDC backup reporting system, noting it accurately supported reporting data.

Previous Finding #2

BDC reports the number of jobs retained or attracted to the City in the fiscal year when a project is presented to the City Council for approval, rather than reporting the actual number of jobs when different phases of the project are completed and the number of jobs are filled and verified.

Previous Recommendation #2

We recommended that BDC determine the industry's best practices to properly report the number of jobs retained or attracted to Baltimore City in the correct fiscal year during which jobs were actually filled. We also recommend that BDC establish or improve its policies and procedures to adequately maintain its records for the jobs retained or attracted to Baltimore City.

Follow-up Status #2

Implemented. We reviewed the quarterly reports used to detail jobs created by project. We noted that BDC is reporting actual jobs attracted or retained to Baltimore City to the Bureau of Budget and Management Research.

**Baltimore Development Corporation
Status of Prior Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Previous Finding #3

The Small Business Resource Center (SBRC), an affiliate of BDC, did not meet its target for the number of seminars and training sessions for fiscal year 2015; the reported number of seminars and training sessions was overstated because it included items that are not considered seminars and training sessions held during the reported fiscal year.

Previous Recommendation #3

We recommend that BDC review its performance measures included in the Agency Detail Board of Estimates Recommendations (Budget Book) to ensure that the reported numbers are consistent with the established performance measures so that the targets can be met. We also recommend that BDC review future performance measures, however, BDC should follow the procedures established by the Department of Finance, Bureau of Budget and Management Research for the review and approval of any suggested changes to performance measures. Furthermore, we recommend that in the future, the inventory for seminars and training sessions be kept on a fiscal year rather than on a calendar year basis.

Follow-up Status #3

Not Implemented. BDC is no longer in control of the SBRC; therefore, there was no need to follow-up on whether the prior year recommendation was implemented.