

OPERATION EARNIE'S PLATE, INC.

**GRANT AUDIT
APRIL 2025**

OFFICE OF AUDITS AND INVESTIGATIONS
Prince George's County
Largo, Maryland

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THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

April 2025

The County Council and County Executive
of Prince George's County, Maryland

Council Resolution 51-1991, adopted June 25, 1991, requires the Office of Audits and Investigations (A&I) to perform random financial audits of grants and transfer payments appropriated in the Non-Departmental section of the County's Approved Annual Current Expense Budget.

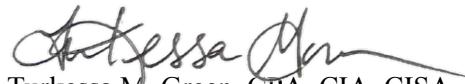
We have examined the books and records of

OPERATION EARNIE'S PLATE, INC.

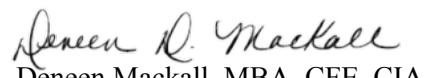
for the period July 1, 2021, through June 30, 2023. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted matters involving the Prince George's County grants to Operation Earnie's Plate, Inc., that led us to believe that the County grant funds were used for other than their intended purpose. In accordance with government auditing standards, the matters noted in this report were communicated to various investigatory and administrative agencies for review and any actions they deem necessary. The findings were also discussed with the organization at the conclusion of audit fieldwork.

This report, in our opinion, fulfills the requirements of Council Resolution 51-1991 to perform random financial audits of grants and transfer payments made pursuant to the Non-Departmental section of the Prince George's County, Maryland, Fiscal Year 2023 Approved Operating Budget.



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Executive Summary

Operation Earnie's Plate, Inc. (OEP, Inc.) received a total of \$140,500 of grant funds from the Prince George's County Government (the County) between July 1, 2021, through June 30, 2023. During our audit we noted several matters involving the grant funding provided to Operation Earnie's Plate, Inc. that are cause for concern. Based upon the extent of the findings outlined in this report, **we recommend the discontinuance of County grant funding to Operation Earnie's Plate, Inc. at this time**. A summary of these issues is provided below, and further details can be found in the following report.

- **Conflicts Between Nonprofit Activity Reported and Actual Activity Performed:** It appears that the various initiatives reported by Operation Earnie's Plate, Inc. produced little results when compared to the total County grant funds awarded. Additionally, we noted several instances where the nonprofit activity reported by the organization conflicted with the actual activity performed.
- **Non-Compliance with Federal and/or County Regulations:** Operation Earnie's Plate, Inc. did not comply with County and Federal regulations as follows:
 - The organization failed to issue and file 1099 forms in accordance with IRS guidelines for payments made to individuals in excess of \$600.
 - The organization did not obtain a valid permit issued by the Health Department to operate its food service facility and did not maintain a food service manager license to prepare meals, as required by the Prince George's County Code of Ordinance.
- **Lack of Documentation For Grant Expenditures:** Operation Earnie's Plate, Inc. did not maintain adequate documentation for 73% of the transactions selected in our sample, totaling \$11,794. The missing documentation included original invoices/receipts.
- **Lack of Board Oversight and Potential Conflict of Interest:** Operation Earnie's Plate, Inc. did not provide adequate organizational oversight including having an adequate number of board members, conducting an adequate number of board meetings, and avoiding potential conflicts of interest on the board.
- **Inadequate Accounting of Grant Activities:** Operation Earnie's Plate, Inc. does not appear to utilize a formal accounting system to record grant activity in a timely manner. The current process does not allow for the accurate production of basic financial reports such as bank reconciliations, statements of financial position, and statements of financial activities.
- **Lack of Segregation of Duties and Lack of Written Policies and Procedures:** The Executive Director/President makes all financial and operational decisions and has voting rights on the Board. The organization lacks segregation of duties regarding the receipt and disbursement of funds for accounting transactions. We also found that the organization has no formal written policies that clearly define the accounting process and assign responsibility for each accounting function within the organization.

Overall Audit Rating	Total County Grant Funding
	\$140,500

 No Significant Findings Noted – Opportunities for Improvement Identified
 Some Deficiencies Noted – Eligible for Funding
 Significant Deficiencies Noted – Ineligible for Funding

Operation Earnie's Plate, Inc.

Operation Earnie's Plate, Inc. ("OEP, Inc.") is a 501(c)(3) nonprofit organization incorporated in the State of Maryland in 2017. The organization, located in Prince George's County, was formed to feed homeless families and veterans.

The non-profit reported that it operates two (2) food pantries in Prince George's County, Maryland. The organization also reports its food pantries operate six (6) days a week from 7:00 a.m. to 8:00 p.m. The Executive Director/President¹ reported that the distribution of hot meals and food items is primarily operated by both the Executive Director/President and Assistant Executive Director/Vice President serving individuals or families experiencing homelessness, seniors, veterans, and young adults. Additionally, the organization reports that it acquires the assistance of volunteers for large distribution events. According to the FY 2023 Non-Departmental grant application, the organization provides the following services/programs:

- **Emergency Family Food and Meal Services Program**

The program provides immediate and essential food support to individuals and families experiencing emergencies, crises, or unforeseen circumstances that impact their ability to access sufficient and nutritious food.

- **Operation Earnie's Plate Mobile Food Program**

OEP Mobile Food Program addresses food insecurity by bringing nutritious food directly to underserved or remote areas. OEP, Inc. travels to various locations and collaborates with [REDACTED] as well as local food banks, grocery stores, and community organizations to source multiple food items, including fresh produce, canned goods, dairy products, and more.

- **Operation Earnie's Plate Food Pantry**

Operation Earnie's Plate Food Pantry is a community-based program that provides food assistance to individuals and families facing food insecurity. According to the organization, it is located at Clinton Manor and the Hampton Conference Center, where people in need can access non-perishable food items and essential groceries.

Operation Earnie's Plate, Inc. is governed by a Board of Directors that consists of five (5) members including the Executive Director/President, who also serves as a voting board member. The Board reportedly manages the affairs of the organization and has all the powers and duties necessary or appropriate for the administration of the affairs of the organization. During the time of the audit, the organization did not have a Board Chair, Secretary, or Treasurer.

The Prince George's County Council appropriates funds to support nonprofit organizations throughout the County in the form of grants. The Non-Departmental budget included funds to fulfill grant requests received from County nonprofit organizations. Non-Departmental grant funds are to be used to support citizen/community-based programs and services that help address

¹ Documentation provided to A&I notes the founder of the organization as both Executive Director and President. For consistency, the position titles were combined.

the human, social, education, recreation and other service needs of the County's citizens and communities. The Special Appropriation Grants are dispersed by Council Members to help support nonprofit organizations providing programs and services to Prince George's County citizens and communities. County Council grants are awarded through a formal application process.

The Prince George's County Government, by the way of the Prince George's County Council, awarded Operation Earnie's Plate, Inc. six (6) grants totaling \$140,500 in fiscal years 2022 and 2023. A summary of the grants awarded is shown in **Exhibit 1** below:

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>	<u>Grant Purpose</u>
9/30/2021	FY 2022 Non-Departmental	\$ 50,000	Thanksgiving baskets (fresh produce, vegetables, turkeys) to 1000 families residing in District 9.
10/17/2022	FY 2023 Non-Departmental	65,000	Support of OEP programs and Thanksgiving baskets for residents of District 9 to include the homeless, seniors, veterans, and individuals.
10/19/2022	FY 2023 Special Appropriation D6	3,000	Distribution of hot meals and groceries to families, including veterans, seniors, and the homeless living in District 6.
6/15/2023	FY 2023 Special Appropriation D6	2,500	Administrative support, food, vehicle gas, storage, supplies, vehicle maintenance, postage, and printing
6/15/2023	FY 2023 Special Appropriation D7	10,000	Mobile Food Pantry to provide fresh foods and hot meals to community members, including seniors, veterans, the homeless, and families in need.
6/15/2023	FY 2023 Special Appropriation D9	10,000	Mobile Food Pantry to provide fresh vegetables, fruits, meats, and hot meals to community members, including seniors, veterans, the homeless, and families in need.
Total Amount Awarded		\$ 140,500	

(Exhibit 1)

Operation Earnie's Plate, Inc. receives funding from grants, donations, and other sources. The County grants accounted for the majority of the organization's revenue in FY 2022 and FY 2023.

OBJECTIVE, SCOPE AND METHODOLOGY

The objectives of our audit were to: (a) assess the adequacy of the system of internal and management controls over grant funds received and expended; (b) assess whether grant related transactions occurred in a manner consistent with the Operation Earnie's Plate, Inc.'s grant request applications and other generally accepted business practices; and (c) identify factors inhibiting satisfactory performance in these areas and make recommendations to protect the County's interest concerning the grant funds.

The scope included all transactions related to the receipt and disbursement of the total grant funds received from July 1, 2021, through June 30, 2023 (a total of \$140,500).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Operation Earnie's Plate, Inc.;
- The United States General Accountability Office Standards for Internal Control publication ([GAO-14-704G](#));

- [Maryland Nonprofit's Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector;](#)
- Internal Revenue Code (IRC)/Internal Revenue Service (IRS) guidelines; and
- [The Code of Ordinances, Prince George's County Maryland](#)

The audit included interviews with key personnel of Operation Earnie's Plate, Inc. and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990 return for 2021 and 2022;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

Operation Earnie's Plate, Inc. operates and reports on a calendar year, however our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Activities, prepared by A&I, is presented on a calendar year consistent with Operation Earnie's Plate, Inc.'s operations. The attached Statement of Activities (**Schedule 1**) shows the financial activities of the organization for the periods ending December 31, 2021, December 31, 2022, and June 30, 2023. Since the formal financial statements prepared by the organization were deemed unreliable, the Statement of Activities was generated based on A&I's review and analysis of the organization's bank statements, submitted documentation, and inquiries of individuals associated with Operation Earnie's Plate, Inc.

We examined the books and records maintained by Operation Earnie's Plate, Inc. and performed tests of the accounting records and other auditing procedures, as deemed necessary. The examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices. **We noted instances that led us to believe that County grant funds were used for other than their intended purposes.** The deficiencies noted during our audit are discussed in further detail below.

FINDINGS, COMMENTS AND RECOMMENDATIONS

INTERNAL CONTROLS AND THE CONTROL ENVIRONMENT

An organization's control environment should establish the overall tone, awareness, and actions of the board of directors, management, and staff, concerning the importance of internal controls and its role in the organization. In an organization with a good internal control environment, responsibilities are clearly defined, and authority is assigned to specific individuals to permit identification of whether persons are acting within the scope of their authority.

Auditing standards define internal controls as a process designed to provide reasonable assurance that entity objectives will be achieved, including the objectives of reliable financial reporting, compliance with applicable laws, and the effectiveness and efficiency of the organization's service delivery processes. The primary function of internal controls is to provide assurance that errors and irregularities may be discovered with reasonable promptness.

According to the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* (“Standards for Excellence”), nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization’s financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reports, and safeguards to protect the integrity of the reporting systems.

FINDING 1: Conflicts Between Nonprofit Activity Reported and Actual Activity Performed

It appears that the various initiatives reported by Operation Earnie’s Plate, Inc. produced little results when compared to the total County grant funds awarded. Additionally, we noted several instances where the nonprofit activity reported by the organization conflicted with the actual activity performed as summarized below:

- A. We noted that Operation Earnie’s Plate, Inc. was in violation of its partnership agreement with a vendor that provided food products for the organization’s food distribution initiatives funded by County grant awards.
- B. We noted inconsistencies in the organization’s reported initiatives funded by County grant awards.
- C. We were unable to confirm the purchase and distribution of food related items made in partnership with a vendor and funded by County grant awards.
- D. We were unable to confirm the organization’s initiatives with Prince George’s County Public Schools, including mobile grocery distribution and other initiatives funded by County grant awards.

A. Violations of Partnership Agreement with [REDACTED] (Vendor 1)

In our review of Operation Earnie’s Plate, Inc.’s FY 2022 and FY 2023 County grant applications, **Vendor 1** contracts, and **Vendor 1** site visit reports, we noted the following violations of the contract as it directly relates to the organization’s food distributions, food storage, and sanitation practices.

1. On May 2, 2023, **Vendor 1** conducted a site visit of the organization. During the site visit the organization reported that it delivers food purchased from **Vendor 1** to five (5) churches, that subsequently, distribute the food directly to County residents. According to the **Vendor 1** partnership contract with OEP, Inc., A&I noted that partner organizations are prohibited from redistributing goods to other organizations, as detailed in the excerpt below:

“Agency may not sell, transfer, exchange, or barter [REDACTED] items or food coming from a third party in association with a [REDACTED] program or partnership (i.e., Partner Direct). This includes redistribution of [REDACTED] food to other organizations or the distribution of [REDACTED] at a location other than address approved in Agency’s application.”

Notably, the organization also reported in its FY 2022 and FY 2023 grant applications that the organization provides direct distribution of non-perishable food items and hot meals to the community, which conflicts with the information provided to **Vendor 1**.

2. OEP, Inc. reported to **Vendor 1** that although it has designated food storage areas at its pantry facility to maintain food, the storage facility is rarely used. Per the **Vendor 1** contract:

“Agency must have adequate storage and high standards of sanitation to ensure the quality and food safety of food items until used or distributed.”

3. OEP, Inc. reported that it prepares hot meals from the Executive Director/President's home for distribution to County residents. The **Vendor 1** agreement requires programs preparing meals to have *“a certified safe food handler on staff...licensed by local government as a food service establishment.”* A&I was not able to confirm that the organization obtained the appropriate permits and licenses from the Health Department. See Finding #2 Non-Compliance with Federal and/or County Regulations for details regarding the issuance of health permits and service manager certification.
4. **Vendor 1** requires the agency to *“keep food distribution logs and other appropriate records.”* A&I noted that the organization provided distribution food logs that did not fully support the organization's program metrics. Due to the inadequate documents A&I could not confirm the actual number of County residents served.

B. Inconsistencies Noted in Organization's Initiatives

Review of the organization's grant applications and inquiries to the organization revealed the following inconsistencies/areas of concern as it pertains to OEP, Inc.'s hours of operation, program initiatives, and the targeted population served.

1. **The organization's documented days/hours of operation appear inconsistent.** According to OEP, Inc.'s FY 2023 Non-Departmental grant application the organization reported that its food pantry program, which includes its headquartered pantry at the Clinton Manor Apartment community center (Clinton Manor) operates six (6) days a week from 7 a.m. to 8 p.m. to provide groceries and meals to individuals experiencing homelessness, veterans, and seniors.

On March 25, 2024, A&I contacted personnel at Clinton Manor to determine whether the organization provided services at the facility and its hours of operation. Discussions with personnel revealed that the organization only serves one (1) day per month from the hours of 10:00 a.m. to 12:00 p.m. Review of the organization's website indicated the hours of operation at Clinton Manor as Monday - Friday from 8:00 a.m. to 4:00 p.m. In a written response to A&I's inquiries related to the use of the Clinton Manor facility, the organization reported that it serves at the location monthly. A&I noted that the organization did not specify a number of days each month. Due to the varying operating

hours reported, A&I was unable to determine whether the organization provides services to County residents as outlined in the grant application.

2. **The organization's program initiative appears inconsistent with the organization mission and target population reported in the grant applications.** In review of the organization's grant applications A&I noted that the organization requested County funds to support three (3) programs as summarized below.

- Emergency Family Food and Meal Services Program
 - Supports **seniors and disabled residents** experiencing emergencies and crises that impact their ability to access sufficient and nutritious food.
- Operation Earnie's Plate Mobile Food Program; and
 - OEP travels to **underserved or remote areas** and provides nutritious food directly to the community.
- Operation Earnie's Plate Food Pantry
 - The pantry program provides groceries and hot meals to County residents including **individuals experiencing homeless, veterans, and seniors**.

While these programs appear to be aligned with the organization's mission, discussions with the organization revealed that during FY 2022 and FY 2023, the organization also provided non-perishable food items and toys to Prince George's County Public School (PGCPS) students through its Adopt-A-School program. Notably, OEP Inc.'s Adopt-A-School program was not disclosed in the organization's grant applications as a program in which County funding would be utilized. A&I also noted that the targeted population for the Adopt-A-School program (students) did not align with the organization's stated mission as also noted in the grant application. Lastly, A&I noted that documentation from the Council Finance Office – Grants Division stating that the organization was approved to repurpose the funds was not provided.

C. Questionable Partnership and Program Activity with [REDACTED] - [REDACTED] (Vendor 2)

In FY 2023, OEP, Inc. reported that it partnered with **Vendor 2**, a 501(c)(3) non-profit, to provide food baskets to Prince George's County residents through a Thanksgiving Food Distribution event in November 2022 at the Prince George's County Showplace Arena. It is important to note that the partnering organization acts as a intermediary and resells food items purchased from [REDACTED] (**Vendor 3**), a third-party vendor. In our review of documentation obtained from OEP, Inc., we noted that the organization committed to purchasing 750 share packages from **Vendor 2**. The share packages contained Thanksgiving food items and gift cards for the purchase of a turkey. However, the gift cards would be purchased through a separate vendor. The total cost for the share packages was \$34,597. A breakdown of cost as reported is detailed below.

Share Packages (750 x \$25 per package*)	18,750.00
Gift Cards (750 x \$20 per gift card)	15,000.00
Individual Boxes (750 x \$1.13 per box)	847.50
Total	\$ 34,597.50

**Costs are based on a negotiated price, with no mark-up.*

A&I contacted the third-party vendor, **Vendor 3**, to gain an understanding of the organization's food distribution and patronage process, terms and conditions, and to determine whether any affiliation with Operation Earnie's Plate, Inc. exists. During these discussions, **Vendor 3** reported that:

- Food packages contain fresh and frozen items that must be picked up and distributed on the same day to comply with safe food handling requirements, therefore the packages should not be resold to a third-party or other non-profits.
- **Vendor 3** confirmed its partnership with **Vendor 2**, the intermediary, but reported no affiliation with Operation Earnie's Plate, Inc.

In discussions with **Vendor 3**, A&I confirmed the cost of the share packages, however, we were unable to confirm the validity of the documentation provided to support the payment made to the **Vendor 2**. Furthermore, OEP did not provide A&I with documentation to support the purchase of the 750 gift cards, therefore we were unable to verify whether gift cards were purchased, received, and included in the Thanksgiving baskets.

A&I learned that **Vendor 2** also provides annual Thanksgiving food distribution events to the community as part of its charitable initiatives. A brief timeline of coinciding events between OEP, Inc. and the partnering organization are as follows:

- A review of the partner organization's webpage revealed that it conducted its 28th Annual Thanksgiving Food Distribution on 11/19/2022. A&I noted that the posting did not identify a partnership with OEP, Inc.
- The OEP, Inc. Executive Director/President reported via its social media platform that the organization hosted a Thanksgiving Distribution event held on 11/19/2022. We noted the social media post did not acknowledge a partnership with **Vendor 2**.

Due to the limited information included in OEP, Inc.'s recipient list, A&I could not determine the number of clients served, and whether the food boxes and gift cards purchased by the organization with County grant funds were distributed to County residents. Given that OEP, Inc. is a nonprofit that purchases food directly from other nonprofits such as **Vendor 3**, A&I inquired about the purpose of utilizing **Vendor 2** as an intermediary. The Executive Director/President reported that he was specifically instructed by a Delegate to utilize **Vendor 2** for food purchases².

² Note: In our review of the organization's bank statements, we noted three (3) additional payments made to **Vendor 2**, totaling \$36,555. Documentation for the transactions were not provided since the transactions were not included in our audit sample.

The Standards of Excellence provides guidance for non-profits anticipating or actively engaging in partnerships with other organizations providing program services to the public. Specifically, the Standards of Excellence states that "*Non-profits engaging in strategic partnerships and formal alliances with other organizations should do so within the context of a board-approved policy outlining the goals and parameters of such partnerships.*" It further states "*Depending on the type of strategic partnership, nonprofits should ensure that proper due diligence has been followed and that agreements, memoranda of understanding, or similar documentation has been thoughtfully reviewed and considered.*"

D. Unable to Confirm PGCPS Initiatives

A&I conducted testing to determine whether services were provided to PGCPS students, as reported by the organization. A&I contacted both the Principal(s) and Assistant Principal(s) at each of the eight (8) schools on OEP, Inc.'s recipient list to determine whether the organization provided program services. Testing revealed seven (7) schools, or 88%, had not received any service or programs from OEP, Inc. One (1) school stated they received services from the organization. Due to many schools reporting that they did not receive services, A&I conducted additional verification testing for the schools that initially responded "no."

A&I also reviewed the organization's social media webpage, and noted photographs of the organization's presence at one of the schools, which initially responded that it had not received services. Although, photographs of the school were posted, A&I did not modify our audit results since school personnel reported having no knowledge of the organization.

The final results of our testing are detailed in the table below.

<u>Overall Results</u>	<u>Totals</u>	<u>%</u>
Services Could Not Be Confirmed	6	75%
Services Confirmed By School	1	13%
School Remains As Reporting No Knowledge	1	13%
Total Responses	8	100%

A&I also reviewed the PGCPS Office of Community Partnership's 2022-2023 Adopt-A-School program partner list and found that Operation Earnie's Plate, Inc. was not listed as an approved partner to provide services to schools participating in the Prince George's County Adopt-A-School program.

Furthermore, in our review of OEP Inc.'s 2024 event schedule, A&I noted a mobile grocery pickup scheduled for April 18, 2024 at District Heights Elementary School. The event hours were scheduled from 7:00 a.m. to 8:00 p.m. as documented on OEP, Inc.'s website. A&I contacted the District Heights Elementary School's office staff to verify whether the event occurred, and whether authorizing school personnel was contacted or made aware of the event. A&I was informed that the school received multiple calls from County residents inquiring whether the grocery pickup event occurred. The office staff at District Heights Elementary School informed A&I that it had no knowledge of the OEP, Inc. event. A&I also conducted a

site visit to the school on April 18, 2024 during the event's posted hours and found no presence of OEP, Inc. on school premises.

FINDING 2: Non-Compliance with Federal and/or County Regulations

During our review, we assessed whether the organization's operations were conducted in accordance with applicable laws, regulations, and policies. A&I requested bank statements from the organization covering January 1, 2021, through December 31, 2023. However, the organization did not provide bank statements for October 2023 through December 2023. The results of our review revealed the following deficiencies:

Non- Compliance with the Internal Revenue Code

In our analysis of the provided bank statements, we noted that the Executive Director/President, who is also a board member, received a salary of \$2,000 in 2021.

The Executive Director/President stated that the organization did not issue a Form 1099-NEC or W-2. We also discovered that the same individual received additional checks totaling, \$17,058 for expense reimbursements. Furthermore, we noted 94 expenditures, totaling \$5,918 that are associated with the organization's gas and vehicle maintenance. The organization could not present supporting documentation to support the business expenditures. For that reason, we were unable to determine whether the expenditures incurred were for business or personal use. Reimbursable business expenses made to an individual that can not be substantiated with appropriate documentation could be considered income and should be reported to the IRS.

According to the Internal Revenue Service (IRS) Guidelines, a form 1099-MISC/1099-NEC must be completed for any individual or non-incorporated entity that receives income totaling \$600 or more for services performed by a non-employee conducting business during the calendar year.

A summary of the unsupported check payments observed for each year is presented in the table below.

Calendar Year(s)	# of individuals receiving \$600 or more	Annual Payment Total
2021	1	\$ 5,500
2022	1	7,908
2023	1	5,650
Total		\$ 19,058

Note: Annual payment total includes salary (\$2,000) and expense reimbursements (\$17,058).

In addition to the payments mentioned above, we also noted 17 ATM cash withdrawals, totaling \$8,600, for which the organization did not provide documentation to support how the cash was used. Due to the lack of documentation, A&I was unable to verify the business purpose of the cash withdrawals. It should be noted that all funds are maintained and disbursed solely by the Executive Director/President. Without documentation to support the business expense, the cash could also be considered as income and subject to tax.

A summary of the ATM withdrawals for each year is presented in the table below.

Calendar Year(s)	# of ATM Withdrawals	Annual Payment Total
2021	8	\$ 4,080
2022	9	\$ 4,520
Total	17	\$ 8,600

in the amount of \$540. However, due to the Internal Revenue Service threshold requirement of \$600 or more the transaction was not included.

We also reviewed the organization's 2021 and 2022 Form 990 and noted that the Executive Director/President is the sole board member listed for the organization. As required by the IRS organizations are required to list each officer, director, trustee, or key employee and any compensation received by each, on its Form 990 in Part IV. The IRS also states that in Section A, all current officers, directors, and trustees are to be listed even if they did not receive compensation.

Notably, the organization's bylaws also addresses compensation in stating "The board—with the exception of the executive director—receives no compensation other than reasonable expenses."

Lastly, regarding the organization's gas and vehicle maintenance expenses (previously discussed above), A&I reviewed the organization's financials and Form 990, and noted no indication that the organization identified and reported the mileage/vehicle costs that are attributed to support its programs. The IRS requires expenses to be substantiated by adequate records or by sufficient evidence.

Consequently, failing to comply with Federal regulations may result in the assessment of penalties/fees, withdrawal of tax-exempt status, or discontinuing County funding.

Non-Compliance with County Health Permits and Licensing

As previously noted, the organization reported that it operates two community pantries and a mobile pantry program, to provide food and hot meals to community residents. However, A&I noted that the organization did not obtain a valid permit issued by the Health Department to operate its food service facility. Discussions with the Prince George's County Health Department ("the Health Department") revealed that Operation's Earnie's Plate, Inc. should also obtain a food service manager license to prepare meals, as required by the Prince George's County Code of Ordinance. A&I inquired with the Health Department as to whether the organization has the appropriate permit and license, or an application on file with the Health Department to provide food services. The Health Department reported that the organization does not have a permit or license on file with the Health Department, including a food service manager certification course approved by the Conference for Food Protection (CFP) as required by the County Code of Ordinance.

The Prince George's County Code of Ordinance (or "the County Ordinance") for Permits and Inspections, asserts that:

- *"It shall be unlawful for any person to operate a food service facility without a valid permit issued by the Health Officer."*
- *"... no food service facility shall operate unless a minimum of one employee has a valid food service manager certificate or is enrolled in an approved course that will train the employee to be a certified food service manager. Furthermore, the organization must produce a copy of the Health certificate for food handling."*

Note that the organization must have *"Original written evidence of successful completion, within three (3) years of the date of the application, of a food service manager certification course approved by the Conference for Food Protection (CFP); or an original transcript or official grade notification form from a college or other institution or organization offering a CFP approved course or test."*

As equally important, the failure to comply with the County Ordinance for Permits and Inspections may result in closing of the food service facility, suspension of permit, assessment of penalties/fees, or discontinuance of County funding.

FINDING 3: Lack of Documentation For Grant Expenditures

To determine whether Operation Earnie's Plate, Inc.'s grant expenditures were adequately supported with appropriate documentation (e.g., invoice, receipt, contract/agreement, etc.) and aligned with its mission, A&I reviewed the organization's invoices and bank statements for July 1, 2021 through June 30, 2023.

OEP, Inc. reported that 58% of its budgeted expenses for FY 2022 are to support general operations which consisted of administration expenses, and 42% were to be allocated to support its programs. We observed that most of the organization's operations are supported by County funds.

A sample of 22 transactions totaling \$67,293, or 48% of the grant funds awarded, was selected for testing and documentation to support the selected expenditures was requested. The organization did not provide supporting documentation (i.e., invoices/receipts) for 16, or 73%, of the sampled transactions, totaling \$11,794.

A summary of the transactions that did not have documentation is as follows:

Summary of Partial/Unsupported Transactions		
<u>Expense Category</u>	<u>Amount (Total)</u>	<u>Total # of Transactions</u>
Vendor/Store Payment	\$ 4,386	10
Payment to Individual - Reimbursement	6,000	3
Salary & Wages	408	1
ATM Withdrawal	1,000	2
Total	\$ 11,794	16

Additional information for each of the unsupported expense categories is as follows:

- Vendor/Store Payment- A&I noted ten (10) transactions totaling \$4,386. The organization provided no documentation for the expenditures.
- Payment to Individual(s)³ - The organization made three (3) payments in our sample to the Executive Director/President totaling \$6,000 for food reimbursements, as noted in the memo section of the check. The organization was able to provide partial documentation (\$938 of a \$3,000 expenditure) to support one (1) payment. The remaining two payments to the Executive Director/President were unsupported.
- Salary & Wages³ - A&I noted an additional payment made to the Executive Director/President, totaling \$408. The organization reported that payments were made for salary as noted in the memo section of the check. The organization did not provide a Form 1099-NEC to support payments made to individual for services provided.
- ATM Withdrawals³ - Review of the bank statements revealed that two (2) ATM withdrawals were made by the organization totaling \$1,000. OEP, Inc. did not provide documentation to support how the funds were used. A&I noted additional ATM withdrawals outside of the sample selection as reported above.

Due to the lack of supporting documentation, we could not determine if these expenditures were consistent with the organization's mission/purpose.

In the publication on standards for internal controls (GAO-14-704G) (09/14), the Government Accountability Office (GAO) states the following regarding the appropriate documentation of transactions and internal control activities: "*Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.*" In like manner, Operation Earnie's Plate, Inc. grant award letters required the organization to maintain documentation to support all grant expenditures as a condition of the grant award.

³ See Finding 2: Non-Compliance with Federal and/or County Regulations for details regarding additional payments made to individuals.

Without corresponding expense receipts, purchases made by the organization could be considered personal use and thereby subject to income tax by the IRS. The Internal Revenue Code (IRC), provides detailed guidance regarding individuals within a non-profit participating in financial activities that result in personal gain. The IRC specifically states:

"No part of an organization's net earnings may inure to the benefit of an insider. An insider is a person who has a personal or private interest in the activities of the organization such as an officer, director or a key employee. This means that an organization is prohibited from allowing its income or assets to accrue to insiders."

To clarify the IRC provides an example of a prohibited inurement that *"would include payment of unreasonable compensation to an insider. Any amount of inurement may be grounds for loss of tax-exempt status."*

In summary, the failure to maintain adequate documentation to support grant transactions prevents an effective detailed review of these transactions, either from management at the time the transaction was initiated, or during a subsequent audit, ensuring that they were reasonable, accurate, and aligned with the organization's mission/purpose.

FINDING 4: Lack of Board Oversight and Potential Conflict of Interest

Operation Earnie's Plate is a small organization whose daily operational decisions are made solely by the Executive Director/President. Discussions with the Executive Director/President revealed that the organization's board is inactive and its members have not been assigned specific roles/responsibilities. The lack of structure excludes Board members from having adequate oversight and approval over the organization's financial decisions. A review of the bylaws and discussions with the Executive Director/President also revealed additional areas of concern:

- **The organization has related directors and an insufficient number of board members to fulfill its responsibilities.** The organization's board consists of five (5) board members, including the Executive Director/President. We also noted that the Assistant Executive Director/Vice President is the Executive Director/President's wife. The organization did not disclose the potential conflict in Form 990 and reported it does not have a conflict-of-interest policy. It should be noted that, while related parties serving on the board is not illegal, it is best practice to avoid or minimize these instances to prevent a conflict of interest and the appearance of impropriety.
- **The board conducted an insufficient number of board meetings.** In discussions, the Executive Director/President reported that no board meetings occurred during the scope of our audit. Further discussions revealed that the Executive Director/President makes all decisions without board approval.

The Maryland Nonprofit Standards for Excellence states the following:

"An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial

resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission."

As it pertains to the number of recommended board members, the Standards of Excellence recommends that the Board have "no fewer than (5) independent and unrelated directors. Seven (7) or more are preferable."

To that end, the Standards of Excellence also states that "accurate minutes reflecting board and committee actions should be kept and distributed to all board and committee members" and that the "board should meet as frequently as needed to conduct the business of the organization fully and adequately. At a minimum, the board should meet four (4) times a year."

Comparatively, the organization's bylaws state, "The Board is responsible for overall policy and ... The Board shall have up to seven (7) members and not fewer than four (4) members."

As such, the Board members have the fundamental responsibility to provide oversight and accountability for the organization. Nonprofits that fail to adhere to good governance principles may be at risk of poor management, wastefulness of resources, and public mistrust.

FINDING 5: Inadequate Accounting of Grant Activities

In the grant application, the organization reported that it uses QuickBooks as the formal accounting system for record-keeping and to generate financial reports. However, when A&I requested various financial reports (i.e., statement of activities, statement of financial position, bank reconciliations, general ledgers, etc.) that would provide an accurate account of grant-related financial transactions for the period under audit, the organization requested two (2) extensions to provide the information.

A&I reviewed the organization's bank statements and reconciliation documents from July 1, 2021, through June 30, 2023. A&I was able to verify that all County funds disbursed were properly deposited into the organization's bank accounts.

However, A&I noted that the organization does not perform monthly reconciliation of its accounts. Examination of the reports provided during the audit revealed that the organization prepared its financial statements on December 7, 2023, two (2) years from the end of the fiscal year under review (after the audit request was made). Hence, it does not appear that a formal accounting system is used to record grant activity in a timely manner.

Since A&I could not rely on the financial reports that were produced by the organization, we performed alternative audit procedures that consisted of an analysis of the organization's statement of activity, Form 990 tax returns, bank statements, and inquiries of representatives of the organization to provide an accurate representation of its financial activities.

The Standards of Excellence recommends that nonprofits "have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations

should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems."

Not to mention, "*a nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.*"

Any of the above occurrences can result in the potential to produce unreliable financial statements. Sound accounting practices suggest that there is a system and processes in place that would support basic accounting functions such as bank reconciliations, the input of all financial transactions, and the production of detailed and summary financial reports.

FINDING 6: Lack of Segregation of Duties and Lack of Written Policies and Procedures

Based on our discussions with the organization, the Executive Director/President makes all financial and operational decisions and has voting rights on the Board. In conversations with the organization's Executive Director/President, we noted that the organization lacks segregation of duties regarding the receipt and disbursement of funds for accounting transactions. Specifically, the Executive Director/President has the authority to authorize spending, make purchases for the organization, and maintain the entity's bank account.

A&I requested all written policies and procedures regarding accounting and operational practices within the organization, and found that the organization had no formal written policies that clearly define the accounting process and assign responsibility for each accounting function within the organization.

The GAO publication provides guidance to organizations regarding segregation of duties concerns. It further states that "*Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.*"

As previously discussed, the Standards for Excellence states that an effective "*nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission.*"

The Standards of Excellence also states, "*Nonprofits should have written financial policies that are adequate for the size and complexity of the organization. These policies should address investment of the assets of the organization, internal controls, procurement, and unrestricted current net assets.*"

Effectively, the lack of written policies and procedures can result in improper practices, inconsistent approaches based on the personal preference of staff, and a lack of accountability, which can lead to organizational inconsistencies and inefficiencies. In further consequence, if

financial responsibilities are not separated, the potential risk of fraud, waste, and abuse effectively increases.

RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, we recommend the following:

1. The Prince George's County Government discontinue awarding Operation Earnie's Plate, Inc. grant funding at this time.
2. The Prince George's County Government require a refund of any grant funds awarded when an organization is not in compliance with the terms and conditions of the grant award, including funds expended for personal use and other unallowable expenses.
3. Prior to considering the organization for future non-departmental grant awards, the Prince George's County Government should require Operation Earnie's Plate, Inc. to obtain the Standards of Excellence Accreditation and Recognition (Basics Enhanced Tier or above) as evidence of the organization's accountability, openness, and commitment to best practices in governance and management.

A&I also made recommendations to the nonprofit organization to assist in improving and strengthening its internal controls. The findings and recommendations were shared with representatives from the organization prior to issuing this report (see **Attachment 1**).

Schedule 1

OPERATION EARNIE'S PLATE, INC.
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
DECEMBER 31, 2021, DECEMBER 31, 2022, and JUNE 30, 2023
(CASH BASIS-UNAUDITED)

	<u>2021</u>	<u>2022</u>	<u>2023</u>
REVENUES:			
County Grants	\$ 60,000	\$ 68,000	\$ 22,500
Other Income	10,192	1,658	360
Total Revenues	\$ 70,192	\$ 69,658	\$ 22,860
EXPENDITURES:			
ATM Cash Withdrawal	\$ 4,499	\$ 4,022	\$ 540
Auto Expense	2,514	4,920	3,547
Bank Service Fee	142	64	—
Food	37,854	44,498	18,525
Fundraiser	—	—	650
Miscellaneous	3,235	1,805	2,186
Postage and Delivery	54	488	17
Salary & Wages	5,605	7,908	500
Stipends	460	—	—
Supplies	205	469	489
Travel	297	—	—
Total Expenditures	\$ 54,865	\$ 64,173	\$ 26,454
Excess Revenue Over/(Under) Expenditures	\$ 15,327	\$ 5,484	\$ (3,594)



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

September 18, 2024

Eric Hawkins, Executive Director
Operation Earnie's Plate, Inc.
9409 Sherwood Drive
Upper Marlboro, MD 20772

Dear Mr. Hawkins,

The Office of Audits and Investigations (A&I) recently completed its review and met with representatives of your organization on June 12, 2024, to discuss our audit findings. The scope included all transactions related to the receipt and disbursement of the total grant funds received from July 1, 2021, through June 30, 2023 (a total of \$140,500). The objectives of our audit were to:

- Assess the adequacy of the system of internal and management controls over grant funds received and expended.
- Assess whether grant-related transactions occurred consistent with Operation Earnie's Plate, Inc.'s grant request applications and other generally accepted business practices.
- Identify factors inhibiting satisfactory performance in these areas and make recommendations to protect the County's interest regarding the grant funds.

While you provided additional information on September 8, 2024, to substantiate the use of grant funds, a review of the documents did not result in significant changes to the observations noted during our review. **The following deficiencies were noted during our review:**

1. We noted several instances where the nonprofit activity reported by the organization conflicted with the actual activity performed, as follows:
 - a. Program(s) reported/Performed did not appear to align with the organization's mission outlined in its grant application.
 - b. The organization did not properly document and maintain records to substantiate the distribution of food-related items in partnership with vendors funded by County grant awards.
 - c. A&I contacted the Principal(s) and Assistant Principal(s) at each of the eight (8) schools on Operation Earnie's Plate, Inc.'s recipient list to determine whether the organization provided program services. Seven (7) of the schools, or 88%, reported that they had not received any service or programs from Operation Earnie's Plate, Inc.
2. Noncompliance with Federal and County regulations
 - a. The organization did not obtain a valid permit issued by the Health Department to operate its food service facility and did not have a food service manager certificate on file with the Health Department.
 - b. The organization did not issue and file 1099 forms in accordance with Internal Revenue Service guidelines.
 - c. The organization could not present documentation substantiating business versus personal expenditures.
 - d. The organization failed to file a complete IRS Form 990, noting all board members; the President is the only board member listed.
3. Lack of Documentation to Support Grant Expenditures—A sample of 22 transactions totaling \$67,293, or 48% of the grant funds awarded, was selected for testing, and documentation to support the selected

expenditures was requested. The organization did not provide supporting documentation (i.e., invoices/receipts, etc.) for 16 (73%) of the sampled transactions selected.

4. Inadequate Accounting - The organization reported in the grant application that it used QuickBooks. However, financials were created and produced after the audit was initiated, and monthly bank reconciliations were not performed.
5. Lack of Board Oversight/Potential Conflict of Interest
 - a. The organization has related board members (husband/wife) and does not have a sufficient number of *independent* board members to fulfill its responsibilities.
 - b. The organization did not hold any Board meetings during the audit period.
 - c. The organization did not have a conflict-of-interest policy and did not disclose potential conflicts of interest.
6. Lack of Segregation of Duties and Lack of Written Policies and Procedures
 - a. The Executive Director/President makes all the financial and operational decisions.
 - b. The Executive Director/President authorizes spending, makes purchases for the organization, and maintains Operation Earnie's Plate's bank account.
 - c. Formal policies and procedures regarding the accounting and operations were not established. (Note: The additional documentation provided to A&I in September 2024 included newly developed policies and procedures that were outside the scope of the audit).

Recommendations:

Based on the critical findings noted in this audit, Operation Earnie's Plate, Inc. should immediately address the deficiencies noted and implement the following recommendations:

1. Nonprofit Activities
 - a. Adhere to the organization's established mission and ensure that all program activities align with its mission.
 - b. Properly document and maintain records to substantiate all transactions conducted through the course of business, including the purchase and distribution of food-related items in partnership with various organizations.
 - c. Administer all program services as affirmed in the grant applications.
2. Ensure full compliance with all local and federal laws that apply to the organization. For IRS guidance, see [Publication 4221-PC \(Rev. 3-2018\) \(irs.gov\)](https://www.irs.gov/pub/irs-pdf/f4221.pdf).
3. Take the necessary steps to ensure that a sound accounting and internal control system is in place. A strong internal control system includes:
 - a. Segregating key financial duties, including authorization, custody, record keeping, and reconciliation. It is ideal to arrange the position responsibilities so that one individual does not have control over all key aspects of a transaction or event.
 - b. Establishing written policies to address the requesting/authorization of financial transactions or receipts and disbursement procedures. Additionally, Operation Earnie's Plate, Inc. should adhere to a conflict-of-interest policy that addresses the Board of Directors' responsibilities related to business or blood relationships with any individual in an upper management position in the organization.
 - c. Maintain appropriate documentation to support revenue and expenditure transactions, including but not limited to bank statements, check copies, check registers, signed memoranda of understanding (MOUs), signed employment agreements, signed contract agreements, receipts for travel and entertainment expenses, detail information regarding individual and corporate donor payments and other funds received. Documentation should be maintained for a period of at least three (3) years after the tax return is filed, in accordance with IRS guidelines.
 - d. Financial Reporting - Create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should

be provided to the Board of Directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.

4. Evaluate and strengthen the Board of Directors to ensure the Board can provide the appropriate oversight of the organization by:
 - a. Increasing the number of Board members, excluding any related directors, as recommended by the Standards of Excellence.
 - b. Conduct board meetings at least four times a year to discuss the organization's operations and financial matters.
 - c. Include discussions regarding the performance and evaluation of the Executive Director/President in Board meetings for purposes of approving his compensation.
 - d. Matters discussed during Board meetings should be well documented and kept on file to be made available upon request.

Conclusion:

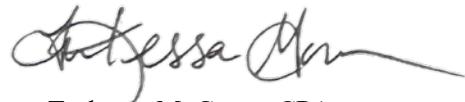
As a result of the deficiencies noted during our review, we have advised the Prince George's County Government not to award any grant funding to your organization at this time. Please note that our audits have a defined scope and do not involve ongoing assessments of an organization deemed ineligible for grant funding. Hence, our Office will not consider the submission of information provided *after* the audit has concluded. To allow your organization sufficient time to establish and implement improvements to your fiscal management system and overall operations, changes to internal control processes should be in place and functioning for at least one (1) year.

We hope the organization will use the above recommendations to improve and enhance its operations. The organization is strongly encouraged to obtain the Standards of Excellence Accreditation and Recognition (Basics Enhanced Tier or above) as evidence of the organization's accountability, openness, and commitment to best practices in governance and management. See [Standards for Excellence Institute > About You > For Nonprofits](#) for more information.

Please be advised that the Office of Audits and Investigations does not make decisions regarding the award of grant funds. The final determination of an organization's eligibility to receive grant funding is ultimately with senior leadership in the Executive and Legislative branches of the Prince George's County Government.

Please contact me if you have any questions regarding the audit matters noted. Thank you.

Sincerely,



Turkessa M. Green, CPA
County Auditor

cc: Jennifer A. Jenkins, Council Administrator
Colette R. Gresham, Deputy Council Administrator
Karen Zavakos, Associate Council Administrator
Inez Claggett, Director, Council Office of Finance