

SOWING EMPOWERMENT & ECONOMIC DEVELOPMENT, 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

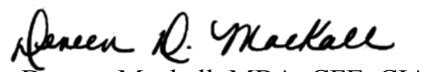
SOWING EMPOWERMENT & ECONOMIC DEVELOPMENT, INC.


for the period July 1, 2022, through June 30, 2024. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted several matters involving the Prince George's County grants to Sowing Empowerment & Economic Development, Inc., that are cause for concern. As a result we recommend the discontinuance of County grant funding to Sowing Empowerment & Economic Development at this time.

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 Years 2023 and 2024 Approved Operating Budget.


Turkessa M. Green, CPA, CIA, CISA
County Auditor


Deneen Mackall, MBA, CFE, CIA
Audit Supervisor


Norine Lane
Auditor

Executive Summary

Sowing Empowerment & Economic Development, Inc. received a total of \$154,000 of grant funds from the Prince George's County Government (the County) between July 1, 2022 and June 30, 2024. During our audit we noted several matters involving the grant funding provided to Sowing Empowerment & Economic Development, 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 Sowing Empowerment & Economic Development, Inc.** at this time. A summary of these issues is provided below, and further details can be found in the following report.

- **Funds Utilized for For-Profit Entity & Potential Conflict of Interest:** Sowing Empowerment & Economic Development paid \$42,420, to a for-profit organization owned by the Vice President's spouse in addition to the compensation paid to the spouse for administrative services.
- **Inadequate Documentation to Support Program Metrics:** Sowing Empowerment & Economic Development did not provide adequate documentation to support individuals served through the programs provided.
- **Non-Compliance with Federal Regulations:** Sowing Empowerment & Economic Development did not comply with Internal Revenue Service guidelines for tax-exempt organizations as it failed to issue and file 1099 forms for all payments made to contractors or individuals in excess of \$600, and had not provided documentation confirming that its 2023 Form 990 was filed.
- **Inadequate Documentation to Support Grant Expenditures:** A sample of 21 transactions totaling \$59,667 was selected for testing and documentation to support the selected expenditures was requested. However, SEED did not provide supporting documentation for eight (8) of the 21 transactions totaling \$13,605 (or 23%) of the sample selected for testing. The lack of documentation included contractual agreements and original invoices/receipts.
- **Inadequate Accounting/Unreliable Financial Information:** Sowing Empowerment & Economic Development does not reconcile its accounts monthly. Based on our evaluation of the bank reconciliations and the lack of financial documentation provided for our review, we could not rely on the organization's financial reporting.
- **Lack of Board Oversight:** The Board of Directors did not provide adequate board oversight with respect to conducting an adequate number of board meetings, and reviewing financial related issues.
- **Non-compliance with Grant Reporting Requirements:** Sowing Empowerment & Economic Development did not comply with County grant guidelines regarding the timely submission of program progress reports.

Overall Audit Rating	Total County Grant Funding*	Other County Funding*
	\$154,000	\$ 372,670

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

*Grant and/or other funding paid directly/indirectly by the County (i.e., M-NCPPC, PGCC, State grants, license fees, etc.). Other County funds were not included in the scope of the audit.

Sowing Empowerment & Economic Development, Inc.

Sowing Empowerment & Economic Development, Inc. ("SEED") is a 501(c)(3) nonprofit organization incorporated in the State of Maryland in 1997. The organization, located in Prince George's County at 6201 Riverdale Road, Riverdale, MD 20737, was formed to provide food, clothing, education and training while promoting self-sufficiency and empowerment directly to low to moderate-income families.

SEED reported that it provides the following services/programs:

- **The SEED Food and Diaper Distribution Center** provides emergency food through partnerships with the Capitol Area Food Bank and other donations. Prepared dinner boxes with the Department of Social Services are provided to after-school program students, and seniors at two (2) locations East Pines Community Center and the EXCEL Academy Public Charter School. Diapers are provided weekly through a local diaper bank.
- **Affordable Healthcare Enrollment & Outreach**, in partnership with the Prince George's County Department of Social Services, SEED guides residents through the process of signing up for quality healthcare options through the Maryland Health Exchange.
- **Housing Counseling and Education** offers a pre-purchase and post-education housing counseling program to increase homeownership and decrease foreclosures. Financial education is provided for all Prince George's County, Maryland residents.
- **Family Financial Fitness Program** is a yearlong intensive program focused on helping families and young adults achieve financial stability. The program has been virtual for 2-3 years and offers sessions that include information on credit basics, money management budgeting, investments, insurance basics, retirement planning, savings trends, estate planning, and more.
- **EXCEL Academy Public Charter School** is a standards-based, holistic college preparatory education program for Kindergarten through 8th grade students. EXCEL Academy's pillars are Character Development, College Prep, Community Partnerships, and Cultural Arts.

Sowing Empowerment & Economic Development, Inc. is governed by a Board of Directors that consists of eleven (11) members who serve without compensation. The Board 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. Per the organization's Bylaws, the Board holds a minimum of three (3) regular meetings each year.

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 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. The County Council grants are awarded through a formal application process.

The Community Partnership Grant (CPG) is a grant initiative offered by the Office of the County Executive to qualified nonprofit organizations based upon a set of criteria, including the value added to the identified community, overall program costs, organizational stability, and adequacy of other funding sources. Community Partnership grants are awarded through a formal application process.

Lastly, the Local Development Council offers the Local Impact Grant, which are funds that are a portion of gaming revenue dedicated by law for use primarily in the communities in immediate proximity to MGM National Harbor. These grants are also awarded through a formal application process.

The Prince George's County Government, by the way of the Prince George's County Council and County Executive, awarded Sowing Empowerment & Economic Development, Inc. six (6) grants totaling \$154,000 in fiscal years 2023 and 2024. 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>
11/22/2022	FY 2023 Special Appropriation D3	\$ 4,000	Provide emergency food to low- to moderate income families in District 3.
1/25/2023	FY 2023 Non-Departmental	60,000	Operational expenses, community services, food distribution center, housing education, and counseling programs.
5/26/2023	FY 2023 Community Partnership	50,000	Family Financial Fitness for 200 people.
6/23/2023	FY 2023 Local Impact	25,000	Provide a training educational training program that supports individuals and families.
6/30/2023	FY 2023 Non-Department	10,000	Operational expenses, community services, food distribution center, housing education, and counseling programs.
6/27/2024	FY 2024 Local Impact Grant	5,000	Providing food to low income families.
Total Amount Awarded		\$ 154,000	

(Exhibit 1)

These grants were awarded for the initiatives reported above, noted in **Exhibit 1**.

For eligibility to obtain funding the Local Development Council requires organizations to provide program services within a six-mile radius surrounding the MGM National Harbor gaming facility. A&I utilized the Local Development Council's MGM 6-mile address search tool to determine whether services are available within the 6-mile radius as required by Maryland Code. The organization reports it provides education and training to residents of District 8 via the EXCEL Academy Charter School. We noted that the organization's charter school is located within the local impact area.

Sowing Empowerment & Economic Development, Inc. also receives funding from grants, donations, and other sources.

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 Sowing Empowerment & Economic Development, 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, 2022, through June 30, 2024.

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Sowing Empowerment & Economic Development, 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](#); and
- Internal Revenue Code (IRC)/Internal Revenue Service (IRS) guidelines.

The audit included interviews with key personnel of Sowing Empowerment & Economic Development, 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 2022;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

Sowing Empowerment & Economic Development, 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 Sowing Empowerment & Economic Development, Inc.'s operations. The attached Statement of Activities (**Schedule 1**) shows the financial activities of the organization for the periods ending

December 31, 2022, December 31, 2023, and June 30, 2024. The Statement of Activities for June 30, 2024 was generated based on A&I's review and analysis of the organization's bank statements and inquiries of individuals associated with Sowing Empowerment & Economic Development, Inc..

We examined the books and records maintained by Sowing Empowerment & Economic Development, Inc. and performed tests of the accounting records and other auditing procedures, as deemed necessary. Consideration was given to the fact that the records of the organization were reviewed and included in the scope of the financial audit conducted by Berry Newton, CPA PLLC for the periods ending December 31, 2022, and December 31, 2023, and no discrepancies or irregularities were disclosed. Our 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 involving the grants that are cause for concern.** 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 the accuracy and transparency of financial and operational reports, and safeguards to protect the integrity of the reporting systems.

Finding # 1 Funds Utilized for For-Profit Entity & Potential Conflict of Interest

Through a review of the organization's Internal Revenue Service Form 990, bank statements, and calendar year 2022 independent audit report, we noted that the Vice President's (VP) husband received compensation through his for-profit business for landscaping services provided to SEED.

The 2022 auditor's report noted that the organization exercised a competitive bidding process to obtain these services and discussions with the board for approval were conducted as shown in the excerpt below:

" ... the services were provided on competitive business terms and approved by the board of directors."

However, A&I requested but did not receive the contract agreement for calendar year 2022. Due to the lack of documentation we were unable to confirm the services to be provided to the organization and the agreed-upon cost of these services. A&I noted that a total of \$42,420 was paid to Prestige Landscape during calendar year 2022 as summarized in **Chart 1**.

Vendor Name	Related Party Relationship	Service Provided	Total Paid per CY 2022 Audit Report
Prestige Landscaping	Husband of VP of Finance	Landscaping	\$ 42,420
Total			\$ 42,420

(Chart 1)

It is important to note that in addition to the compensation received through the for-profit entity, Prestige Landscaping, the VP's husband received compensation for administrative and maintenance services, for which the organization issued a 1099-NEC. See Finding #3 Non-Compliance with Federal Regulations for concerns related to the organization's Form 1099 reporting.

As reported in the auditor's report, \$27,850 and \$27,450 were paid to the VP's husband in calendar year 2022 and calendar year 2023, respectively. However, the total County funds utilized to support the VP's husband's income is unclear.

Factors such as the husband-wife relationship and the large payments made to the for-profit may give the appearance that the nonprofit is being utilized as a pass-through to receive additional compensation for the benefit of related individuals.

As outlined in the County Council's grant guidelines, grant funds cannot be used to benefit a for-profit entity. According to the organization's conflict of interest policy, "After exercising due diligence, the Board or Executive Committee shall determine whether SEED can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest." Consequently, the organization could award the contract to the related party at a value more than the cost for services that another entity may charge for the same services.

Finding # 2 Inadequate Documentation to Support Program Metrics

The organization reported in its fiscal year 2023 County Council Grant Office mid-year and annual report that funding was utilized for program staff salaries, food distribution to 335 families, pre-purchase housing education and counseling programs, and financial literacy training. A&I requested documentation from the organization to verify whether services were

provided through the Housing Counseling and Education and Family Financial Fitness program and the recipients served through the Food Distribution Centers.

While the organization provided graphs/charts detailing the total number of participants served through each program, they were unable to provide detailed documentation to support or substantiate the total residents served. As a result of the inadequate documentation provided, A&I was unable to verify whether services were provided, the number of individuals served, and whether funds to support the programs were expended as documented in the mid-year and annual year reports.

As described 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."

Furthermore, the Standards of Excellence recommends that information about the organization's program activities should be easily accessible, accurate, and timely. If not, the organization's reporting could be erroneous or a misrepresentation of the individuals served by the organization.

Finding #3: Non-Compliance with Federal Regulations

During our review, we assessed whether the organization's operations were conducted in accordance with applicable laws, regulations, and policies. The results of our review revealed the following deficiencies related to tax filings required by the Internal Revenue Code.

IRS Form 990

The Internal Revenue Service requires that most charitable organizations file an annual information return, Form 990 for organizations meeting an annual gross receipt threshold of more than \$50,000. Annual returns are due on the 15th day of the 5th month after the end of the organization's fiscal year.

In our review of the Form 990s for the audit period, we noted that the organization was approved for an extension to file its 2023 Form 990, which expired in November 2024. As of April 2025 the organization had not provided A&I with documentation confirming that its 2023 Form 990 was filed.

IRS Form 1099-MISC and 1099-NEC

According to the Internal Revenue Code Form 1099 should be issued for non-employee compensation (NEC) of \$600 or more including fees, commissions, prizes and awards for services performed as a non-employee, and other forms of compensation for services performed for your trade or business by an individual who is not your employee. Hence, A&I reviewed bank statement transactions and requested a form 1099-MISC and/or 1099-NEC for all

individuals who were paid \$600 or more during calendar year 2022 and calendar year 2023. A summary of the testing results is presented in the table below.

<u>Results</u>	<u>CY 2022 # of Individuals</u>	<u>CY 2023 # of Individuals</u>	<u>CY 2022-2023 Total Payment Amount</u>
1099 Not Provided	3	1	\$ 27,644
1099 Less Than Total Payments Received	1	0	\$ 23,346

*Note: 1099s for payments made January 2024 - June 2024 were not required to be filed, at the time of the audit.

Since the organization only provided bank statements for the period July 1, 2022 - June 2024* for review (24 out of the 30 months we requested), we could not determine all payments made to individuals in 2022. However, in the 6-month period reviewed for 2022 we noted individuals receiving more than \$600 in the year that should have received a 1099.

Additional information pertaining to each of the above exceptions is as follows:

- **1099 Not Provided** - The organization could not provide a 1099-NEC for three (3) individuals in calendar year 2022, totaling \$4,184. Due to the lack of documentation, A&I could not determine the nature of the payments to the individuals.

Additionally, we noted a payment made to the President, totaling \$23,460 to which the organization did not provide a 1099. As previously mentioned, due to the lack of documentation we could not determine the nature of the payment.

- **1099 Less Than Total Payments Received** - We observed the President received \$23,346 in payments during in calendar year 2022. We noted that the 1099 was issued for \$1,000, which is \$22,346 less than the total payments the President received during the year.

As a result of our testing, we noted that the organization is not in compliance with federal laws and regulations. Consequently, the failure to comply with Federal regulations may result in the assessment of penalties/fees, withdrawal of tax-exempt status, or the discontinuance of County funding.

Finding #4: Inadequate Documentation to Support Grant Expenditures

To determine whether Sowing Empowerment & Economic Development grant expenses were adequately supported with appropriate documentation (e.g., invoice, receipt, contract/agreement etc.) and aligned with its mission, we utilized the organization's bank statements for the period of July 1, 2022, through June 30, 2024. A sample of 21 transactions totaling, \$59,667 or 39% of the total grant funds awarded were selected. The organization did not provide supporting documentation for eight (8) of the 21 transactions totaling \$13,605 (or 23%) of the sample selected for testing. A summary of these unsupported transactions is illustrated below.

Summary of Partial/Unsupported Transactions		
Expense Type	Amount (Total)	Total # of Transactions per Expense Type
Vendor/Store Payment	\$ 13,242	7
Reimbursement to Individual	363	1
Total	\$ 13,605	8

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

- Vendor/Store Payment - There were seven (7) payments totaling, \$13,242 made to several vendors/retail establishments with inadequate documentation to support the expenditure. The amount and bank statement description for these payments are as follows:
 - \$10,000 purchase from Coalition for Homeownership
 - \$ 1,550 purchase from Eventbrite
 - \$ 743 purchase from Sun Life Canada
 - \$ 375 purchase from Credit Hpp
 - \$ 300 purchase from Eventbrite
 - \$ 173 purchase from Ehome
 - \$ 100 purchase from Refreshing Spring COGIC
- Payment to Individual - There was one (1) payment made to the President. The organization did not provide documentation for \$363.04 of the total purchase amount of \$1,841.46. The organization reported that the reimbursement was for medical expenses and transportation.

Due to the lack of supporting documentation we were unable to determine whether each expense was 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."

Additionally, Sowing Empowerment & Economic Development, Inc. grant award letters require the organization to maintain documentation to support all grant expenditures as a condition of the grant award.

For this reason, 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. Additionally, without corresponding expense receipts, purchases made by the organization could be considered personal use and thereby subject to income tax by the IRS.

Finding #5: Inadequate Accounting/Unreliable Financial Information

During audit fieldwork, we requested financial reports (e.g., statement of activities, general ledger transaction report, and bank reconciliations) that would illustrate an accurate accounting of the grant-related financial transactions that occurred during the audit period. In response, the organization provided the following:

- Unaudited profit and loss statement for the period 7/1/2022 - 6/30/2024;
- Bank reconciliations reports for one (1) of four (4) bank accounts for the period 7/1/2022 - 6/30/2024;
- Bank statements for 7/1/2022 - 6/30/2024 (24 out of 30 months requested);
- 2023 Unaudited financial statements; and
- 2022 Audited financial statements

A review of the provided documents, along with conversations with the President, yielded the results below.

- **Lack of Timely Bank Reconciliation** - A review of the organization's reconciliation reports for the period 7/1/2022 through 6/30/2024 revealed that the organization does not reconcile its accounts on a monthly basis. Notably, in July 2022 accounts were not reconciled until February 2023, seven (7) months after the transactions were incurred. We found that subsequent months through the audit scope were reconciled in the same manner. As a result we determined that the organization is not recording and reconciling its month-end book and bank balances in a timely manner.

When discussing our audit findings with the organization, they reported to A&I that bank reconciliations are performed monthly and that it is the practice of the organization to "undo" and "redo" the reconciliation (sometimes months later) to make changes. While undoing the reconciliation may be necessary if errors or discrepancies are discovered in the bank statements or transactions after completing the reconciliation process, frequent undoing and redoing of reconciliations is generally not recommended. It should also be noted that waiting too long between reconciliations may result in more transactions to review and increased potential for errors or overlooked details. Since the reconciliation process is generally intended to be a final step in verifying financial records, undoing a reconciliation can affect the accuracy of the organization's financial records.

- **Unreliable Financial Reporting** - Based on our evaluation of the bank reconciliations, and the lack of documentation provided for our review, we could not rely on the organization's financial reporting for calendar year(s) 2022, 2023 and 2024. As a result, A&I performed alternative audit procedures that consisted of an analysis of the organization's unaudited statement of activity, bank statements, and inquiries of representatives of the organization to provide a representation of its financial activities in order to complete our detailed testing of grant expenditures.

After audit fieldwork was completed, the organization provided finalized audited financial statements for 2023. Therefore we utilized the organization's audited financial statement for

calendar year 2022 and calendar year 2023 to prepare the Schedule of Activities included in our audit report. A financial statement audit for calendar year 2024 had not been conducted, therefore, A&I reviewed the financial activity in the bank statements for the period January 1, 2024 through June 30, 2024 to compile the financial statement for 2024. A summary of the organization's financials can be found in **Schedule 1** of the report.

As previously stated "... 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 reporting, and safeguards to protect the integrity of the reporting systems."

Notably, the Standards of Excellence further state, "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 production of unreliable financial statements. Sound accounting practices suggest that there is a system and processes in place that 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 Board Oversight

A&I requested board meeting minutes for the period 7/1/2022 through 6/30/2024. A review of the board meeting minutes, bylaws, and discussions with the President revealed **the board conducted an insufficient number of board meetings**. We noted the following in our review:

- The organization's bylaws notes that the board is *only* required to meet three (3) times per year. The organization's bylaws state that, "A minimum of three regular meetings of the Board shall be held each year."
- A review of the minutes provided revealed that the Board conducted a total of six (6) board meetings during the audit period. Specifically, the organization held four (4) meetings in FY 2023 and two (2) meetings in FY 2024.

Additionally, we noted that the minutes did not address the organization's financial-related topics (i.e., transaction review and approval) during its meetings, as outlined in its bylaws.

Per the organization's policies and procedures manual, "An annual operations budget for the fiscal year will be authorized by the governing board." The Standards of Excellence also recommends that the board annually approve the organization's budget and the organization should operate in accordance with this budget.

Finding #7: Non-Compliance with Grant Reporting Requirements

A&I obtained and reviewed the mid-year and/or annual reports for each grant type below and noted that the organization did not provide performance reports for three (3) grants as required by the County Council Grants Office and the Office of the County Executive.

A summary of the mid-year and annual reports that were not received are as follows:

Disbursement Date	Grant Type	Amount	Report Due Date(s)	Report Frequency	Report(s) Provided ?
11/22/2022	FY 2023 Special Appropriation D3	\$ 4,000	12/1/2023	Annual Report	N
5/26/2023	FY 2023 Community Partnership	50,000	30 days after end of program	—	N
6/30/2023	FY 2023 Non- Departmental	10,000	8/1/2024	Annual	N
Total # Reports not Provided					3

Based on the testing noted above, we have determined that the organization is not in compliance with required grant reporting guidelines. In accordance with the Assurances Section of the Prince George's County Council Grant Application, the Organization (grantee) is required to provide periodic progress reports on the use of the grant funding as outlined below:

- Grants \$10,000 and below - Annual Report
- Grants \$10,001 to \$99,999 - Semi-Annual Reports (due every six months from the date grant funds were processed)
- Grants \$100,000 and above – Quarterly Reports (due every three months from the date grant funds were processed)

Similarly, the Community Partnership Grant applications require organizations to submit a final financial and programmatic report at the end of the program/project.

It is important to note that the failure to submit the required periodic reports is a violation of the grant requirements, which could result in a request to return unexpended grant funds and may jeopardize future grant awards to the organization.

RECOMMENDATIONS

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

1. We recommend the Prince George's County Government discontinue awarding Sowing Empowerment & Economic Development, Inc. grant funding at this time.
2. We recommend 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, we recommend the Prince George's County Government require Sowing Empowerment & Economic Development, 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 the organization's representatives prior to issuing this report. See **Attachment 1**.

Schedule 1

SOWING EMPOWERMENT & ECONOMIC DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
DECEMBER 31, 2022, DECEMBER 31, 2023 and JUNE 30, 2024^{*}
(ACCRUAL BASIS)

	<u>2022</u>	<u>2023</u>	<u>2024</u>
REVENUES:			
Prince George's County Per Pupil Allocation	\$5,141,124	\$5,654,311	\$ —
Government Grants	794,955	1,574,584	114,539
Corporations/ Foundations Grants	396,573	147,960	—
Program Income	86,633	78,003	—
Contributions	57,392	26,936	—
Donated rent and consumer goods	222,816	163,044	—
Forgiveness of Debt	28,320	—	—
Other Income	5,399	104,548	844,025
Total Revenues	<u>\$6,733,212</u>	<u>\$7,749,386</u>	<u>\$958,564</u>
EXPENDITURES:			
Salaries/Benefits	\$4,459,293	\$4,423,377	\$235,202
Professional fees	397,757	677,435	766
Travel	27,411	24,585	4,379
Occupancy	734,078	678,375	—
Equipment	93,004	157,495	—
Office expenses	74,923	99,507	540,159
Program expenses	721,879	454,707	18,124
Insurance	65,934	59,847	4,340
Marketing/develop.	23,742	23,743	2,872
Recruitment	4,916	6,758	—
Professional develop.	20,450	21,532	—
Registration fees	16,199	14,875	—
Licensing/permits	1,181	1,794	—
Bank fees	3,843	4,802	—
Finance charges	8,737	52,330	—
Depreciation	48,883	271,422	—
Bad debt expense	930	—	—
Total Expenditures	<u>\$6,703,160</u>	<u>\$6,972,584</u>	<u>\$805,842</u>
Excess Revenue Over/(Under) Expenditures	<u>\$30,052</u>	<u>\$776,802</u>	<u>\$152,722</u>

^{*}CY 2022 and CY 2023 revenue and expenditures totals shown in the chart above were compiled using SEED's audited financials. An analysis of the CY 2024 bank statements, were used to provide a representation of the organization's financial activities for period ending June 30, 2024.



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

April 24, 2025

Lisa Butler McDougal, President/CEO
Sowing Empowerment & Economic Development, Inc.
6201 Riverdale Road, Suite 200
Riverdale, MD 20737

Dear Ms. Lisa Butler McDougal,

The Office of Audits and Investigations (A&I) recently completed its review, and met with representatives of your organization on April 14, 2025 to discuss our audit findings and extend an additional opportunity to provide documentation. As of the date of this memorandum no additional documentation has been provided.

The scope of our review included all transactions related to the receipt and disbursement of the total grant funds received from July 1, 2022, through June 30, 2024 (a total of \$154,000). 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 Sowing Empowerment & Economic Development, 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.

The following deficiencies were noted during our review:

1. **Funds Utilized for For-Profit Entity & Potential Conflict of Interest** - Sowing Empowerment & Economic Development (SEED) paid \$42,420 to a for-profit organization owned by the Vice President's spouse in addition to the compensation paid to the spouse for administrative services.
2. **Inadequate Documentation to Support Program Metrics** - SEED did not provide adequate documentation to support the individuals that were served through the programs provided.
3. **Noncompliance with Federal Regulations** - SEED did not comply with Internal Revenue Service guidelines for tax-exempt organizations as it failed to issue and file 1099 forms for all payments made to contractors or individuals in excess of \$600, and had not provided documentation confirming that its 2023 Form 990 was filed.
4. **Inadequate Documentation to Support Grant Expenditures** - A sample of 21 transactions totaling \$59,667 was selected for testing and documentation to support the selected expenditures was requested. However, SEED did not provide supporting documentation for eight (8) of the 21 transactions totaling \$13,605 (or 23%) of the sample selected for testing. The lack of documentation included contractual agreements and original invoices/receipts.

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5. **Inadequate Accounting/Unreliable Financial Information** - SEED reported in the grant application that it used QuickBooks to account for grant activity. However, the organization does not reconcile its accounts on a monthly basis. Based on our evaluation of the bank reconciliations, and the lack of financial documentation provided for our review, we could not rely on the organization's financial reporting.
6. **Lack of Board Oversight**- The organization did not have adequate board oversight with respect to conducting an adequate number of board meetings and reviewing financial related issues during board meetings.
7. **Non-compliance with Grant Reporting Requirements** - The organization did not comply with County grant guidelines regarding the timely submission of program progress reports.

Recommendations:

Based on the critical findings noted in this audit, Sowing Empowerment & Economic Development, Inc. should immediately address the deficiencies noted and implement the following recommendations:

1. Utilize vendors who are independent of the organization, including the Vice President, to avoid a conflict of interest, whether real or perceived.
2. Maintain adequate documentation to support program services provided as certified in its grant application.
3. Ensure the organization is in full compliance with all local, state, and federal laws that apply to the organization.
4. Maintain appropriate documentation to support revenue and expenditure transactions from the inception of the activity to the end, 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, and detailed information regarding individuals and corporate donor payments and other funds received. Following IRS guidelines, documentation should be maintained for at least three years after the tax return is filed.
5. Take the necessary steps to ensure that a sound accounting and internal control system is in place to properly account for future funding that it may receive. A strong internal control system should include creating and maintaining timely reports that accurately reflect the organization's financial activity. The organization should also strengthen its financial controls to prevent and detect accounting errors, create a more efficient process, and reduce the need to perform excessive accounting adjustments.

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.

6. Evaluate and strengthen its Board of Directors to ensure the Board can provide the appropriate oversight of the organization by:
 - a. Updating its By-laws to require a minimum of 4 meetings annually as recommended by the Standards of Excellence.
 - b. Reviewing and discussing financial related issues during board meetings.
7. Submit the required periodic reporting for all grant awards received and implement internal controls to ensure that future grant award reporting requirements are met.

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 been 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 <https://standardsforexcellence.org/about-the-standards/accreditation-application-faq/> 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