

MAJORITY MINORITY FOUNDATION, INC.

GRANT AUDIT
July 2019

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

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THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

July 2019

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 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

MAJORITY MINORITY FOUNDATION, INC.

for the period July 1, 2015, through June 30, 2017. 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 the Majority Minority Foundation, Inc., that led us to question whether the County grants were used for their intended purpose.

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 2016 and 2017 Approved Operating Budgets.

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David H. Van Dyke, CPA
County Auditor

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A second, larger signature in black ink is partially visible behind it.

Larry Whitehurst Jr., CPA, MBA
Audit Manager

Majority Minority Foundation, Inc.

The Majority Minority Foundation, Inc., (MMF) is a 501(c)(3) non-profit organization, which received this Internal Revenue Service (IRS) designation effective March 9, 2015. The MMF was reportedly organized exclusively for charitable and educational purposes, including, but not limited to building networks of economic and cultural leaders within communities of color to educate, connect, and train the next generation of leaders to solve problems of the new millennium with a sustainable solutions-based approach as the nation transitions to a majority-minority populace over the next 30 years. The MMF's stated mission is to (1) educate the community on issues that impact their lives, (2) work in the community where we can contribute to the development, and (3) train the next generation of leaders to solve the problems of the new millennium with a sustainable solutions-based approach. The MMF has operated with only one employee, the organization's President, since its inception. Because of other employment, the MMF President doesn't spend her time exclusively on MMF operations. The MMF's operations were initially conducted in the basement of their President's personal residence. Sometime in 2016, operations were moved to 10201 Martin Luther King Jr., Highway, Suite 260, Bowie, Maryland, to a shared temporary office with a management company and one of its consultants. In 2017, operations were moved to its current location at 1101 Mercantile Lane, Suite 290, Upper Marlboro, Maryland, to a shared space with one of its consultants.

The Prince George's County Government ("the County"), by way of the Prince George's County Council ("the Council"), awarded the MMF five (5) grants totaling \$108,500 in fiscal years 2016 and 2017. A summary of the grants awarded is as follows:

<u>Payment Date</u>	<u>Grant Type¹</u>	<u>Grant Award Amount</u>
8/27/2015	Special Appropriation	\$ 1,000
9/26/2015	Non-Departmental	50,000
9/26/2015	Special Appropriation	5,000
10/19/2016	Non-Departmental	50,000
6/15/2017	Special Appropriation	2,500
Total Amount Awarded		\$ 108,500

¹Non-Departmental and Special Appropriation Grants are both sourced from the Non-Departmental section of the County budget. Non-Departmental Grants are designated and allocated by the Council as a whole. Special Appropriation Grants are designated and allocated by each councilmember individually.

Note: The MMF also received a non-departmental grant of \$50,000 with a payment date of May 17, 2018; however, this grant was received after the conclusion of fieldwork and therefore wasn't included in the scope of this audit.

In addition to the above grants, the MMF received grants totaling \$44,500 from the Community Foundation in Prince George's County, Inc. (CF), which were sourced by County funding. A summary of the MMF's grants received from the CF is as follows:

<u>Award Date</u>	<u>Grant Award Funding Source</u>	<u>Grant Award Amount</u>
8/25/2015	Council District 5	\$ 10,000
11/24/2015	Council District 6	7,000
2/4/2016	Council District 7	2,500
5/23/2016	Council District 5	10,000
1/4/2017	Council District 5	15,000
Total Amount Awarded		\$ 44,500

Since its inception, the MMF has been awarded a total of \$203,000 in County-sourced grant funds. The details on how the grants that were awarded to the MMF were to be utilized will be discussed later in this report.

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 MMF's grant request application and with 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, 2015, through June 30, 2017.

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by the MMF;
- Internal Revenue Service (IRS) guidelines;
- The United States Government Accountability Office Standards for Internal Control publication (GAO-14-704G); and
- Maryland Nonprofits' Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector.

The audit included interviews with the MMF's President and detailed tests including:

- An examination of the organization's monthly bank statements; and
- A review of available cash receipts and disbursements documentation.

Our office examined the books and records maintained by the MMF 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/receipts. The results of our audit are outlined below.

FINDINGS, COMMENTS AND RECOMMENDATIONS

Lack of Adequate Organizational Oversight

The organization's activities were conducted without independent oversight from an established Board of Directors. Furthermore, given the size and structure of MMF (i.e. being a one-employee organization) this lack of independent oversight left all financial and organizational activities vulnerable to be conducted without adequate controls. Some of the specific financial and organizational activities that were not adequately addressed or overseen due to a lack of the Board of Directors' involvement include the following:

- Review and approval of financial transactions;
- Review of all financial reports;
- Establishment of written policies and procedures for organizational activities;
- Review of contractual agreements for prudence and organizational need; and
- Development of overall organizational direction with the establishment of goals and initiatives that align with the organization's mission.

As mentioned previously, the MMF has only one employee, which is its President. As a result, all day-to-day operational and financial decisions are made solely by the President. With this structure in place, it is imperative that the organization have an active Board of Directors to ensure that operational and financial decisions are made with adequate oversight and approval. According to discussions with the MMF President, the initial Board of Directors for the MMF consisted of the President and two other individuals. One of the initial Board members became inactive with respect to her Board related duties after the establishment of MMF, which left the Board with only two active members. The remaining board member worked and received payment as a consultant for services rendered to the MMF, which puts in question her ability to act as an independent member of the Board. As a result, the Board of Directors essentially consisted of only the MMF President.

During our audit, we inquired about the frequency of Board meetings and were told that the meetings were held biannually. However, the MMF could not provide documentation to support that these Board meetings took place. The MMF's President stated that because the Board members participated in daily activities of the organization, and there were no action items that needed to be approved, minimal notes were taken at Board meetings.

The MMF President stated she was on family leave during most of 2017. As a result, a contractor was brought in to conduct the MMF day-to-day operations. However, it was unclear as to his tenure and what oversight was being conducted while he was present.

The Maryland Nonprofits' *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* ("Standards for Excellence") states that the Board should have stated performance expectations and hold Board members accountable for attendance at meetings, participation in fundraising activities, committee service, and involvement in program activities. The Board is responsible for ensuring that resources (financial and human capital) are used to carry out the mission of the organization.

Furthermore, the *Standards for Excellence* state that Board members of public charities should serve without compensation for their service as board members. They may be provided reasonable reimbursement for expenses directly related to performing their Board service.

According to the MMF President, the contracted attorney, who assisted in the creation of the MMF, advised her that the number and composition of the Board of Directors was sufficient. However, the importance of an active, independent Board of Directors was either not communicated or was disregarded once the MMF was established and operations commenced.

Lack of Accurate Accounting of Grant Financial Activity

At the start of audit fieldwork, we requested various financial reports (i.e. statement of activities, statement of financial position, bank reconciliations, etc.) that would provide an accurate accounting of the grant related financial transactions for the period under audit. After numerous attempts and significant delays, the organization produced financial reports that we were unable to place any reliance on due to issues related to the exclusion and proper categorization of all grant related financial transactions.

According to the *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 reporting, and safeguards to protect the integrity of the reporting systems.

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 MMF's President, there were problems with the transfer of the financial information from one computer to another, which contributed to the delay in producing the

requested financial reports. However, based upon fieldwork interactions and an examination of various versions of the financial reports produced, we believe that the organization lacked the expertise and knowledge in-house to facilitate the production of these financial reports.

As a result, we had to implement alternative audit procedures that consisted of an analysis of the organization's bank statements, submitted supporting documentation, and interviews with the organization's President, to provide a representation of the organization's financial activities to facilitate our audit procedures.

Monetary Transfers to Another Entity

A review of the MMF's bank statement activity for the period of April 27, 2015, through December 31, 2017, revealed several monetary transfers totaling \$57,000 to another bank account. The transfers were made to another entity, the Majority Minority Inc., based upon their established agreement. The Majority Minority Inc. (MMI) is an entity that was established along with the MMF and a third entity, the Majority Minority Empowerment (MME), at the recommendation of legal counsel contracted by the MMF's President. The MMF's President serves as the President of both the MMI and the MME. Each entity received distinct Internal Revenue Service designations to conduct their missions within the established guidelines. Specifics regarding MMI and MME are as follows:

- The Majority Minority Inc. was established as a 501(c)(4) organization with the purpose of developing and working with networks of political, economic, and cultural leaders within communities of color to advocate, mobilize and engage the next generation of leaders to solve problems of the new millennium as the nation transitions to a majority-minority populace over the next 30 years.
- The Majority Minority Empowerment was established as a 527(e)(1) organization with the purpose of engaging networks of political, economic, and cultural leaders and voters within communities of color in order to promote the nomination and election of individuals to public office in Maryland to solve problems of the new millennium as the nation transitions to a majority-minority populace over the next 30 years. It was unclear as to whether this entity conducted any program activity since its inception.

An agreement between the MMF and MMI, dated February 22, 2015, essentially allowed for MMI to invoice the MMF for any direct or indirect costs that were incurred in support of MMF activities. According to the agreement, the payment of these costs would be made based upon a monthly detailed invoice. However, there were no invoices presented that detailed the costs incurred by MMI in support of MMF's activities. The MMF President stated that the fund transfers were for her payroll and various consultant service costs incurred by MMI for MMF activities. A review of MMI bank statements and submitted documentation with audit responses from the MMF President pertaining to the period December 7, 2015, through December 8, 2017, revealed the following summary information related to deposits and withdrawals/expenses:

Majority Minority Inc.	
Deposits:	
Transfers from MMF Bank Account	\$ 57,000
Donation	10,000
Unidentified Deposit	50
Total Deposits	\$ 67,050
Withdrawals:	
Payroll & Related Expenses	\$ 25,351
Consultant Payments*	18,914
Voter Database	7,200
Advertising	1,250
Unidentified Expense Activity	5,152
Unidentified Check Expense	5,375
Unidentified Cash Withdrawal	500
Food/Drink	907
Accounting	320
Website	596
Supplies	524
Bank Fees	283
Donation	200
Miscellaneous	474
Total Withdrawals	\$ 67,046

* Includes \$3,770 paid directly to the MMF President

Details pertaining to some of the above deposits/withdrawals revealed the following information, some of which are unsupported and deemed questionable:

- A donation in the amount of \$10,000 was received from one individual via a check dated August 3, 2016, with no designated purpose. The MMF President stated that these funds were used to pay for access to a voter database, at a cost of \$7,200, for a voter education campaign. The voter database called “EveryAction SmartVAN” provided access to updated voter file data for the period of August 16, 2017, through August 15, 2018. The purchase of this voter database was one of the main expenses incurred by the MMI that wasn’t directly related to the MMF. Even though this expense was paid using donated funds, we question why funds designated for the MMF (a 501(c)(3) organization) would be transferred to an entity engaged in political activity.

- Unidentified checks and a cash withdrawal totaling \$5,375 and \$500, respectively, were for the following:
 - A check (#1020) in the amount of \$5,000 cleared the MMI bank account on October 21, 2016;
 - A check (#1023) in the amount of \$375 cleared the MMI bank account on November 21, 2016;
 - A withdrawal in the amount of \$500 was made from the MMI bank account on September 6, 2016.

The MMF President was unable to provide an invoice, receipt, or copy of a cancelled check for the above transactions. According to the MMF President an attempt was made to retrieve information for these transactions from the bank; however, it was unsuccessful since the bank could not retrieve information on older transactions associated with a closed bank account. Based on her recollection, the transactions were related to the voter education campaign that the organization conducted in 2016.

- Unidentified Expense Activity totaling \$5,152. This activity is related to a difference between the \$10,000 in funds that were transferred to the MMI's bank account (from the MMF) on December 7, 2015 and the beginning balance of \$4,848 on the first provided MMI bank statement covering the period of December 9, 2015 through January 11, 2016. MMF was unable to provide a bank statement and/or documentation to support this expense activity.
- Payroll & Related Expenses totaling \$25,351, for payroll, taxes, and processing fees for MMI were for the MMF President. These payments were made through a payroll service agreement with Wells Fargo bank signed on September 28, 2016. According to documentation provided, the payroll payments began on October 6, 2016.
- Consultant Payments totaling \$18,914 were for consultant fees, and payments made directly to the MMF President (not payroll-related). The payments exceeding \$600 are detailed in the chart below. According to Internal Revenue Service (IRS) requirements any non-employee or unincorporated business paid funds exceeding \$600 must be issued a form 1099 with a copy of the form submitted to the IRS. During the audit we requested copies of all 1099 forms that were issued by the organization for calendar years 2015, 2016, and 2017, along with confirmation and/or documentation to support the submission of these forms to the IRS as required. The 1099 forms provided were compared to total payments made to each consultant based upon review of supporting documentation (i.e. invoices and bank statements). The results of our comparison are displayed in the chart below. We did not receive confirmation and/or documentation that the provided 1099 forms were submitted to the IRS.

Service Year	Recipient	Service(s) Provided	Payments Made	Amount on provided 1099
2016	MMF President	Payment(s) made directly to the MMF President either prior to or outside the establishment of payroll service	\$ 3,500	\$ 3,500
	Consultant A	Website design, graphic design, social media plan & set-up, project budget revision, community meetings, and program preparations	1,500	None Provided
	Consultant B	Attend meetings/conference pertaining to MMF activities	3,150	6,638
	Consultant C	Attend meetings/conference pertaining to MMF activities	10,000	14,700
TOTAL			\$ 18,150	

We were provided a 1099 with an amount of \$2,500 reported for Consultant C for 2015; however, we were unable to substantiate the payment made to this consultant due to the lack of availability of the MMI's bank statements for 2015.

It was unclear as to why the consultant costs were incurred under the MMI instead of directly through the MMF. All of the above consultants were utilized by the MMF for similar services. For most of the above consultant services, the MMF did not realize any tangible outcomes. Some of these expected results, based on the consultant work provided, would be the submission of grant applications with the possibility of securing additional grant funding, and planning that would lead to the execution of mission driven programs. The only (outreach) program that was developed by one of the consultants was never implemented by the MMF, according to the organization's President. Given the complexity and amount of funds expended with respect to the events that the MMF participated in, the amount of consultant costs incurred seems excessive.

- A total of \$907 was incurred for food-related costs for meetings that were held at various restaurants. It's unclear whether these meetings were related to activity for the MMI or the MMF. There were six (6) instances of food-related costs for meetings that ranged from \$16.29 to \$366.53. According to the MMF President, these meetings were held with various individuals for planning and organizational purposes.
- A total of \$1,250 was incurred for advertising costs. The advertising costs were related to three (3) advertisements with various organizations to promote the MMI. There were no invoices or receipts presented to support the cost of any of the advertisements. The only documentation available were copies of the actual checks written for payment, and in two (2) cases, a copy of the advertisement.

- A donation of \$200 was made, via electronic transfer, to the MME's bank account on February 29, 2016, as mentioned earlier. According to the MMF President this donation was made to keep the MME's bank account open and active.

A review of the grant applications submitted by the MMF did not provide any indication that the funds would be transferred to another entity to support the activities of the MMF. According to the MMF President, she was instructed by the attorney that was contracted to help formulate the MMF to set up another entity (MMI) to facilitate the activities of the MMF.

In the publication on standards for internal controls (GAO-14-704G) (09/14) the Government Accountability Office (GAO) states the following in reference to 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.”

As mentioned earlier, The Maryland Nonprofits' *Standards for Excellence* states that the Board should have stated performance expectations and hold Board members accountable for attendance at meetings, participation in fundraising activities, committee service, and involvement in program activities. The *Standards for Excellence* further states that the Board is responsible for ensuring that resources (financial and human capital) are used to carry out the mission of the organization.

Additionally, the *Standards for Excellence* states that when engaging in strategic partnerships and formal alliances “nonprofits should ensure that proper due diligence has been followed and that agreements, memoranda of understanding, or similar documentation have been thoughtfully reviewed and considered”.

The lack of an active Board of Directors caused the organizational decision making for the MMF to be conducted without independent oversight. As a result, organizational decisions were made solely by the MMF's President without any oversight or supplemental independent judgement.

Questionable/Unsupported Usage of Grant Funds

The grant applications that were submitted by the Majority Minority Foundation (MMF) with respect to grant funding received from the County for FY 2016 and FY 2017 stated that the funding would be utilized as follows:

Grant Type	Award Year	Service(s) to be Provided	Grant Amount
Non-Departmental	FY 2016	Police accountability reform research and programming with various community groups and strategic partners	\$ 50,000
Special Appropriation	FY2016	Police accountability reform research and programming with various community groups and strategic partners	1,000
Special Appropriation	FY2016	Police accountability reform research and programming with various community groups and strategic partners	5,000
FY 2016 TOTAL			\$ 56,000
Non-Departmental	FY 2017	To provide services to County residents that are in need of assistance to include, but not limited to, food donations for the holidays, back to school supplies, Christmas toy donations, and clothing drives for returning citizens	50,000
Special Appropriation	FY 2017	12 month educational and mentoring program	2,500
FY 2017 TOTAL			\$ 52,500
GRAND TOTAL			\$108,500

In addition to the above grant funding, during the same time frame, the MMF received a total of \$44,500 from the Community Foundation in Prince George's County, Inc. (CF). The grant funds that were received by the MMF from the CF were sourced from County funding. Although the intended purpose of this funding was not indicated when the grants were awarded, the County expected the funding to be utilized to support the MMF's overall mission. We asked the MMF President to provide a listing of activities/events/programs conducted during calendar years 2015, 2016, and 2017, along with non-financial documentation (i.e. fliers, pictures/videos, any communications, recipient/participant listings) to substantiate these events. The following information was provided:

1. **Thanksgiving dinner donation to seniors and families in need in partnership with First Baptist Church of Highland Park (November 2015).** No specific date(s) or non-financial documentation provided. See table below for directly related costs identified by the MMF pertaining to this program.
2. **Suit drive for returning citizens with Prince George's Community College in partnership with the Prince George's County State's Attorney's community**

program. (2015). No specific date(s) or non-financial documentation provided. Additionally, no directly related costs for this event were identified by the MMF.

3. **Christmas toy drive/donation in partnership with Prince George's County Supplier Development and Diversity Division. Toys were given out at the Prince George's County Department of Social Services (December 2015).** No specific date(s) or non-financial documentation provided. See table below for directly related costs identified by the MMF pertaining to this program.

4. **Back-to-School giveaway for disadvantaged children within Transforming Neighborhoods Initiative (TNI) schools.** No specific date(s) or non-financial documentation provided. Additionally, no direct related costs for this event were identified by the MMF.

5. **Thanksgiving program (2016).** No specific date(s) or non-financial documentation provided. See table below for directly related costs identified by the MMF pertaining to this program.

6. **Christmas program (2016).** The MMF provided a one-page executive summary of a proposed holiday toy drive. The proposal details included soliciting cash donations from November 1, 2016 through December 12, 2016, to reach a goal of \$7,500 to help at least 25 low-income families with multiple children. A review of bank statement activity during this time frame revealed only one deposit made on December 8, 2016, from one company totaling \$2,000. The MMF also provided a listing of parents/students that were the target recipients. No other details were provided regarding the specifics of this initiative. See table below for directly related costs identified by MMF pertaining to this program.

7. **Thanksgiving program (2017).** No specific date(s) or non-financial documentation provided. Additionally, no directly related costs for this event were identified by the MMF.

8. **Christmas program Oxon Hill High School Student Government Association (SGA) program (2017).** The MMF provided a one-page solicitation from the Oxon Hill High School SGA along with a copy of a cancelled check for the donation that was made to the organization.

A review of bank statement activity revealed the following that were identified by the MMF as relating to the above-mentioned activities/events/programs:

Month/Year	Vendor(s)	# Trans.	Attributed Event	Amount Incurred
November 2015	Safeway	2	Thanksgiving Donation	\$ 743
December 2015	Target	1	Christmas Toy Drive	206
November 2016	Safeway, Shoppers Food Warehouse, Wegmans, Target, Grace's Steak	7	Thanksgiving Program 2016	2,135
December 2016	Walmart, Kmart, Wegmans, Dollar Tree, Destiny 2, Hallmark	9	Christmas Program 2016	2,899
December 2017	OXON HILL HIGH SCHOOL STUDENT GOVERNMENT ASSOCIATION	1	Donation to the Oxon Hill Student Government Association	2,000
TOTAL				\$7,983

A further review of the MMF's bank statement activity, available documentation, and explanations from the MMF President revealed the following unsupported, and questionable activity related to withdrawals/expenses:

- A total of \$18,949 was incurred for attorney fees, \$13,949 of which was confirmed to be paid using MMF funds. We were unable to confirm how the remaining \$5,000 was paid. MMF was unable to provide a signed agreement or invoices to support the fees. The only document that was provided to substantiate these charges was a listing of the attorney invoices showing invoice/payment dates ranging from November 2014 through October 2016 for services rendered. The MMF President stated that these attorney fees were related to the creation of the MMF and guidance provided during set-up to ensure that the MMF was compliant with Federal and State laws. According to State and IRS records, the MMF was established in March 2015. The MMF President started two other entities. The first of which, the Majority Minority Inc. (MMI) was also formulated on March 2015, according to State records. We were unable to determine when the second entity, the MME, was established. However, a MMI bank statement shows a transfer of \$200 to this organization's bank account dated February 29, 2016.
- A total of \$67,482 was incurred for consultant fees, attorney fees (mentioned above), and payments made directly to the MMF President (not payroll-related). The payments exceeding \$600 are detailed in the chart below. According to Internal Revenue Service (IRS) requirements, any non-employee or unincorporated business paid funds exceeding \$600 must be issued a form 1099 with a copy of the form submitted to the IRS. During the audit we requested copies of all 1099 forms that were issued by the organization for the period of 2015 through 2017, along with confirmation and/or documentation to

support the submission of these forms to the IRS as required. The 1099 forms provided were compared to total payments made to each consultant based upon review of supporting documentation (i.e. invoices, bank statements). The results of our comparison are shown in the chart below. We did not receive confirmation and/or documentation that the provided 1099 forms were submitted to the IRS.

Service Year	Recipient	Service(s) Provided	Payments Made	Amount on provided 1099
2015	MMF President	Payment(s) made directly to the MMF President either prior to or outside the establishment of payroll service	\$ 5,970	None Provided
2015	Consultant D	Attend various meetings and conference calls pertaining to MMF activities	1,500	1,500
2015	Consultant A	Website design, graphic design, social media plan & set-up, project budget revision, community meetings, and program preparations	1,500	1,500
2015	Attorney	See first bullet on previous page regarding attorney fees	8,000	See Note
2015 TOTAL			\$ 16,970	
2016	MMF President	Payment(s) made directly to the MMF President either prior to or outside the establishment of payroll service	\$ 5,000	\$ 5,000
2016	Consultant D	Attend various meetings and conference calls pertaining to MMF activities	825	See Note
2016	Consultant A	Website design, graphic design, social media plan & set-up, project budget revision, community meetings, and program preparations	6,300*	5,700
2016	Consultant E	Worked as a consultant for MMF programs and assisted in securing donations based upon information provided by the MMF (no invoice was provided to support services rendered)	1,500	1,500
2016	Consultant F	Develop grant template, conduct a search and develop donor listing, contacts and potential grant sources	1,700	1,700
2016	Consultant B	Attend meetings/conference pertaining to MMF activities	2,138	None Provided
2016	Consultant C	Attend meetings/conference pertaining to MMF activities	5,800	See Note
2016	Attorney	See first bullet on previous page regarding attorney fees	5,949	See Note
2016 TOTAL			\$ 29,212	

*** Includes a withdrawal of \$3,100 made by the MMF President on 8/30/16 to cover an invoice amount of \$2,100. Funds from the withdrawal were used to order a cashier's check made payable to the consultant for \$2,100. The remaining amount of \$1,000 remains unaccounted for. This concern was presented to the MMF President and she stated this issue has been brought to the bank's attention and the discrepancy is currently under investigation. However, we have not been presented with any documentation to support her response.**

2017	MMF President	Payment(s) made directly to the MMF President either prior to or outside the establishment of payroll service	\$ 2,500	None Provided
2017	Consultant F	Development of an outreach program and help with soliciting funds to support the program	10,000	None Provided
2017	Consultant A	Business Plan research, development and drafting	2,700	None Provided
2017	Consultant G	Computer Network Set-up/Integration	2,225	None Provided
2017	Consultant H	Contracted as an acting executive director during a period when the President was unavailable	2,800	None Provided
2017 TOTAL			\$ 20,225	

Note: These Payments were included on 1099s issued by the MMI.

Overall, the amount of consultant costs and attorney fees incurred seems excessive given that the MMF did not realize any tangible outcomes.

- A total of \$6,564 was incurred for food related costs, of which \$2,270 was related to meetings that were held at various restaurants. The other food costs (\$4,294) were identified by the MMF as directly related to activities/events/programs that they participated in or contributed towards. The MMF provided receipts to support most of the selected sample of these food related costs that were reviewed. However, in some cases only receipts with summary amounts were presented as supporting documentation. There were 17 instances of food-related costs for meetings that ranged from \$31.40 to \$320.83. According to the MMF President, these meetings were held with various individuals for planning and organizational purposes.
- A withdrawal was made in the amount of \$350. The MMF President stated that the expense was related to advertising conducted by the MMF. However, to support this expense, we were only provided with a copy of a bank withdrawal slip dated July 20, 2016, that was signed by the MMF President.
- A donation was made to the Community Service Agency AFL-CIO, in the amount of \$500. To support this donation the MMF provided a copy of bank documents dated April 18, 2016 detailing that a cashier's check was written to the organization along with an advertisement for purchasing tickets to a Washington National's game with proceeds benefitting the Community Service Agency. The MMF President stated that the donation

was made to support taking underprivileged children to the baseball game. However, no documentation was presented to support that the donation was given for the purpose stated by the MMF President.

- A printing expense was incurred in the amount of \$1,313. The MMF President stated that the expense was related to a partnership with the stop the violence/police accountability program. However, to support this expense, we were only provided with a copy of an email detailing a job number, dated January 12, 2016, and an amount charged.

Non-Compliance with the Maryland Solicitations Act

The Maryland Solicitations Act requires most charitable organizations located within the State of Maryland that solicits or has charitable contributions solicited on its behalf in the State, to register and receive a registration letter from the Secretary of State prior to any solicitation activities. Evidence of adherence to this requirement is inclusion on the [Maryland Secretary of State's Charity Database](#). According to the requirements, the MMF must register to be compliant with the Maryland Solicitations Act. However, we were unable to locate the MMF on the State's charity database, which would denote that this requirement was not met.

Under the [Maryland Solicitations Act](#), “a charitable organization shall register and receive a registration letter from the Secretary of State before the charitable organization: solicits charitable contributions in the State, has charitable contributions solicited on its behalf in the State; or solicits charitable contributions outside of the State, if the charitable organization is in the State.”

The MMF President did not provide an explanation for not meeting the requirements of the Maryland Solicitations Act. However, it can be assumed that all requirements of a charitable organization formed within the State of Maryland were not properly researched. Additionally, it would raise the question what service and guidance were rendered by the attorney that helped establish the organization.

The failure of the MMF to adhere to the Maryland Solicitations Act could subject the organization and its designated representative to a misdemeanor and fines up to \$5,000, depending on the severity of the violation.

RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, we recommend that the County discontinue awarding the MMF grant funding at this time. The Prince George's County Council may require a total or partial refund of any grant funds when an organization is not in compliance with the terms and conditions of the grant award. If grant funds are to be awarded to the MMF in the future, the following recommendations should be implemented:

- 1. We recommend that the MMF establishes an adequate Board of Directors composed of members with relevant knowledge and skills to support the mission of the organization. Once established, the Board should conduct Board meetings on a consistent basis to address any of the needs of the organization. Some of the needs of the organization that should be addressed during these meetings would include the following:**
 - a. The overall direction of the organization and the development of activities that will align with the mission of the organization;**
 - b. The overall financial state of the organization through the review of relevant financial reports. Upon review of these financial reports, the execution of the organization's activities should be conducted in consideration of the organization's budget utilizing a cost-benefit analysis;**
 - c. Ensuring that the organization has established adequate policies and procedures to govern day to day operations.**
- 2. The discussions conducted during these Board meetings should be documented and kept on file to be made available upon request. Furthermore, any payments made to Board Members should be limited to reasonable reimbursement for expenses directly related to performing their board service to maintain their independence from day-to-day operational activities.**
- 3. We recommend that the MMF personnel educate themselves on the proper way to account for financial transactions or seek the expertise needed from other sources. The accounting for financial transactions should include the preparation of financial reports, including a statement of activities, statement of financial position, check register, and bank reconciliations, to support financial activity.**
- 4. We recommend that transfers of funds from the MMF to the MMI be immediately discontinued. Once the MMF establishes a Board of Directors they should revisit the need to have an agreement with the MMI to incur expenses and invoice the MMF when these expenses can be incurred directly by the MMF.**
- 5. We recommend that expenses incurred by the organization are adequately supported and made in accordance with IRS guidelines. Supporting documentation should be retained for a designated period of at least three years.**
- 6. We recommend that the MMF takes the necessary steps to ensure it meets the requirements of the Maryland Solicitations Act.**

- 7. We recommend that the MMF remit any remaining grant funds to the County. If these funds are not remitted voluntarily, we recommend that the County's Office of Law take all the necessary steps to retrieve any remaining grant funds that were awarded to the MMF from County sources.**

The MMF operates and reports on a calendar year; however, our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Revenues and Expenditures is presented on a calendar year, consistent with MMF operations. The Statement of Revenues and Expenditures shows the activities of the organization for the periods ending December 31, 2015, December 31, 2016, and December 31, 2017. The statement was generated based upon a review and analysis of the MMF's bank statements, submitted documentation, and audit fieldwork responses from the MMF President. Formal financial statements were not being prepared by the MMF and were not available.

MAJORITY MINORITY FOUNDATION, INC.
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIODS ENDING DECEMBER 31, 2015, DECEMBER 31, 2016,
DECEMBER 31, 2017 (CASH BASIS-UNAUDITED)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES:			
County Grant	\$50,000	\$56,000	\$2,500
Community Foundation Grant	17,000	12,500	15,000
Donations/Misc Revenue*	50	2,050	3,075
Total Revenues	\$67,050	\$70,550	\$20,575
EXPENDITURES:			
Accounting	\$0	\$864	\$179
Attorney Fees	8,000	5,949	0
Consultant Payments	3,000	18,338	17,725
Donations (Monetary)	0	707	2,000
Rent	0	0	4,979
Payments to President	5,970	5,000	2,500
Food/Drink (Operational & Program Related)	1,019	4,807	737
Furniture	0	3,105	1,893
Unidentified Withdrawal	0	1,350	0
Printing	0	1,313	0
Transfers to MMI	10,000	35,500	11,500
Supplies (Operational & Program Related)	213	6,730	723
Miscellaneous	30	563	1,514
Total Expenditures	\$28,232	\$84,226	\$43,750
Excess Revenue Over/(Under) Expenditures	\$38,818	(\$13,676)	(\$23,175)

* Includes a \$50 check from the IRS that was made to the MMI but was deposited into the MMF bank account