

**THE PRINCE GEORGE'S COUNTY BRANCH OF THE NATIONAL ASSOCIATION
FOR THE ADVANCEMENT OF COLORED PEOPLE (NAACP)
AFRO-ACADEMIC, CULTURAL, TECHNOLOGICAL AND SCIENTIFIC OLYMPICS
(ACT-SO) PROGRAM**

**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

THE PRINCE GEORGE'S COUNTY BRANCH OF THE NAACP, ACT-SO PROGRAM,
for the period July 1, 2016, through July 31, 2018. 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 grant to the Prince
George's County Branch of the National Association for the Advancement of Colored People,
that led us to question whether the grant administration and oversight procedures were properly
conducted.

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 2017 and 2018
Approved Operating Budget.

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David H. Van Dyke, CPA
County Auditor

A handwritten signature in blue ink, appearing to read "Larry Whitehurst".

Larry Whitehurst, CPA, MBA
Audit Manager

A handwritten signature in blue ink, appearing to read "Martina Alston".

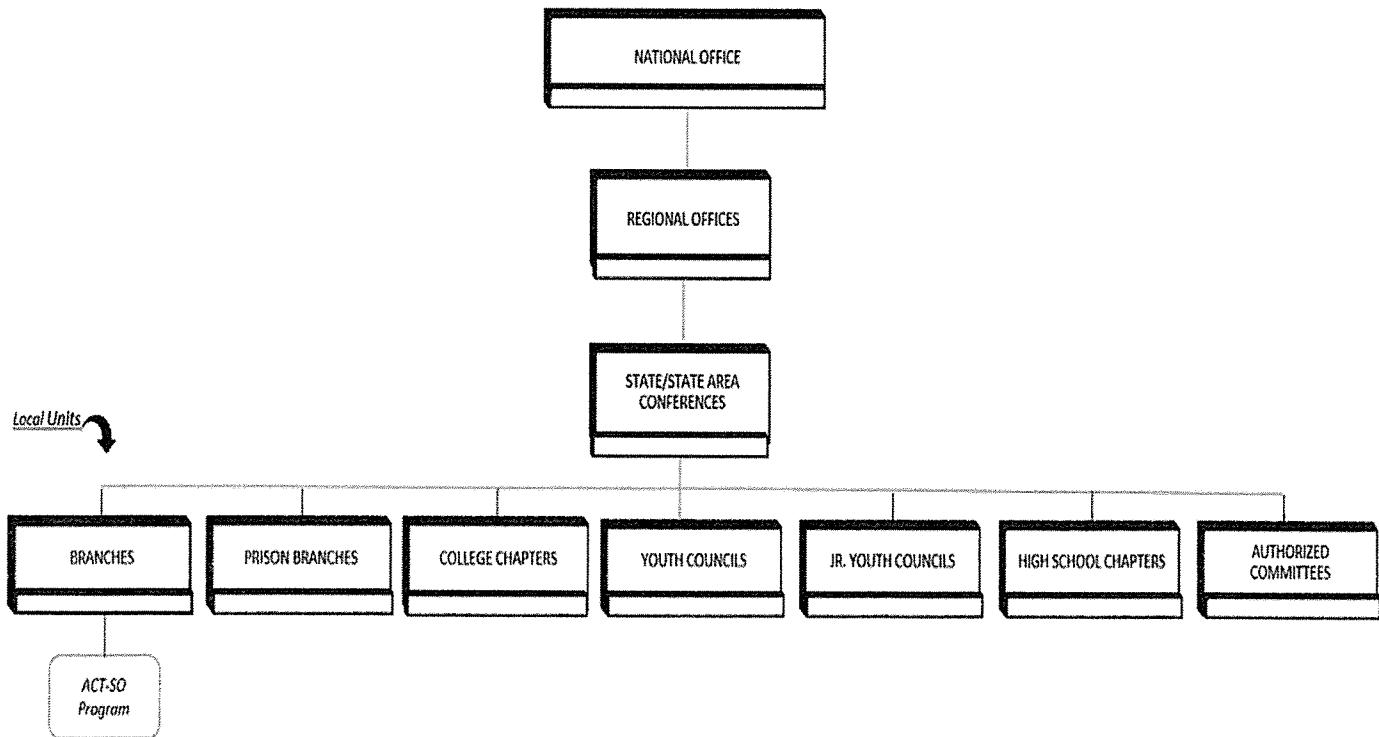
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The Prince George's County Branch of the NAACP

The Prince George's County Branch of the NAACP (the "Branch") is a 501(c)(4) local unit of the National Association for the Advancement of Colored People (the "NAACP"). The NAACP is a 501(c)(3) organization and all its units are structured as 501(c)(4) organizations, so that they can accomplish strategic goals for the promotion of social justice while avoiding the restrictions of private foundation status and the restrictions on lobbying and other political activity. The mission of the NAACP is to ensure the political, educational, social and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination. The NAACP is divided into seven geographical regions that are further organized into state and local units consisting of State/State-Area Conferences, Branches, College and High School Chapters, and Youth Councils. The *Bylaws for Units of the NAACP* require that each State and local unit is subject to the general authority and jurisdiction of the NAACP Board of Directors. Moreover, each unit located within the geographic boundaries of a State/State-Area Conference is subject to the State Conference's efforts to coordinate NAACP activities and policies within its jurisdiction. While each unit operates independent of one another, each local unit of the same area is expected to coordinate their programs and work in cooperation to accomplish the overall mission and objective of the NAACP. **See Exhibit below for a diagram of the NAACP's organizational structure.**

NAACP ORGANIZATIONAL STRUCTURE



The Branch, which was founded in 1935, is located at 9201 Basil Court, Suite 115, in Largo, Maryland. The Branch is one of over two thousand nationwide local units established and organized by region to uphold the NAACP's stated mission. While all local units are subject to the general authority of the NAACP Board of Directors, each local unit operates under the direct oversight of its Executive Committee, which consists of elective Officers of the Branch along with other mandated members. To facilitate the coordination and oversight of various activities at the State and local levels, The *Bylaws for Units of the NAACP* require standing committees to be formulated. Some of the specific standing committees that are established within the local units are as follows: Afro-Academic, Cultural, Technological and Scientific Olympics (ACT-SO), Armed Services & Veteran Affairs, Communications, Press & Publicity, Community Coordination, Criminal Justice, Economic Development, Education, Finance, Freedom Fund, Health, Housing, Labor & Industry, Legal Redress, Membership and Life Membership, Political Action, Prison Branch, Religious Affairs, Young Adult, Youth Works, and Women in the NAACP (WIN).

The Prince George's County Government (the "County"), by way of the Prince George's County Council ("the Council"), awarded the Branch four (4) grants totaling \$24,500 in FY 2017 and 2018 specially designated for the ACT-SO program. A summary of the grants awarded is as follows:

<u>Payment Date</u>	<u>Grant Type¹</u>	<u>Grant Award Amount</u>
2/21/2017	Non-Departmental	10,000
3/30/2017	Special Appropriation	1,500
5/31/2018	Non-Departmental	10,000
5/31/2018	Special Appropriation	3,000
Total Amount Awarded		\$24,500

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 council member individually.

In addition to the above grants, the Branch received grants totaling \$3,750 from the Community Foundation, Inc. (CF), which were sourced by County funding. A summary of the Branch's grants received from the CF as are follows:

<u>Payment Date</u>	<u>Grant Award Funding Source</u>	<u>Grant Award Amount</u>
5/7/2018	Council District 6	3,000
5/7/2018	Council District 4	750
Total Amount Awarded		\$ 3,750

According to the grant applications submitted by the Branch, FY 2017-2018 funding was to be used expressly for costs associated with execution of the Afro-Academic, Cultural, Technological and Scientific Olympics program ("ACT-SO") including the costs of travel and accommodations needed for students to advance to the national competition. Similarly, the grant funds received by the Branch from the Community Foundation were to be used for the ACT-SO program related expenses.

The ACT-SO program, which was founded in 1978, is an initiative that is designed to recruit, stimulate, and encourage high academic and cultural achievement among African-American high school students (grades 9-12). The program typically solicits and receives support from schools, local businesses, community organizations, churches, foundations, major corporations and individuals. The objective of the ACT-SO program is to prepare, recognize and reward African American youth who exemplify scholastic and artistic excellence. Some of the goals of the program are as follows:

- Mobilize the adult community for the promotion of academic and artistic excellence;
- Recognize creative talent and academic achievement; and
- Provide and assist students with the necessary skills to establish goals and acquire the confidence and training to make a successful contribution to society.

The ACT-SO program's day-to-day operations are directed by its standing committee, which consists of a chair, co-chair, and several volunteer members. As mentioned earlier, the ACT-SO Standing Committee is one of various standing committees established within the Branch to conduct specific program objectives. The ACT-SO program activities generally commence in August each year with the recruitment of both students and mentors. After the recruitment process, students work with mentors from August to April to develop their projects and performances for a local competition. Students can select up to 3 competitions from a total of 29 offerings in Science, Technology, Engineering and Math (STEM), business, humanities, performing arts, visual arts and culinary arts from which to structure their projects and

performances. Winners from the local competition then compete against winners from other city's competitions at the national ACT-SO finals, which is held annually during the NAACP's national convention. A summary of the specific ACT-SO activities of the Branch are as follows:

- August: Local programs kick-off annual ACT-SO activities;
- September-March: Local programs conduct mentoring and scholastic enrichment activities;
- April: Local programs host ACT-SO competitions;
Once local competitions are held, the gold medalists (those with scores between 95-100 in their category) are invited to compete on a national level;
- April-(early)July: Students continue their local mentorship and enrichment programs to prepare for the national competition;
- July: Annual activities culminate with the national competition and ceremonies.

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 organization's grant request application 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, 2016, through July 31, 2018.

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by the Prince George's County Branch of the NAACP;
- Constitution of the NAACP (10/16);
- The Bylaws for Units of the NAACP (01/14);
- The NAACP Unit Financial & Bookkeeping Guide (01/18);
- 2016-17 ACT-SO How-To Manual;
- 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 key members of the Branch and detailed tests including:

- An examination of the organization's monthly bank statements; and

- A review of available cash receipts and disbursements documentation.

We examined the books and records maintained by the Branch and performed tests of the accounting records and other auditing procedures, as deemed necessary. Our 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 findings are outlined below.

FINDINGS, COMMENTS AND RECOMMENDATIONS

Lack of Adequate Oversight and Approvals

Although the ACT-SO program is facilitated by the Branch, its day-to-day operations and activities are carried out by the ACT-SO Standing Committee. During our audit period, the ACT-SO Standing Committee members consisted of a chair, co-chair, and eight volunteer members. Apart from the chair, these members were not inclusive of the Branch's Executive Committee members. With this structure in place, it is imperative that the Branch has an active and engaged Executive Committee to ensure that ACT-SO's financial decisions are made with adequate oversight and approvals. Our analysis of expenses incurred during the period under review revealed that the Branch's Executive Committee did not properly document the review or approval of ACT-SO program related disbursements.

According to Section 4 of Article VII of the *Bylaws for Units of the NAACP*, an expense requisition is to be completed for each expense and subsequently signed by the President and Secretary prior to remitting payment. Additionally, expenses exceeding \$100 must undergo approval by the Executive Committee before a check is issued. Our review revealed that the procedures for expense approval were not followed in practice, and there was no documentation of committee review occurring for transactions over \$100. We reviewed a sample of 138 bank withdrawal transactions and 46 out-of-pocket (reimbursable) transactions and none of the transactions contained documented approval by the Branch President, Secretary, or Executive Committee as a whole.

According to Section 5 of Article VIII of the *Bylaws for Units of the NAACP*, all standing committees must report in writing, each month, to the Executive Committee. We inquired about the records of monthly committee meetings and minutes; however, the Branch could not provide documentation to support such occurrences.

Moreover, the *NAACP Unit Financial & Bookkeeping Guide* emphasizes that all disbursements are to be made by check and that the use of a credit card is strictly limited to securing travel, which is limited to air fare, hotel, and rental car for business purposes relating to the unit. However, in analyzing bank transactions, we identified fifteen (15) instances in which ATM cash

withdrawals were made by the ACT-SO Chair totaling \$2,981.50. We also identified one (1) instance in which \$12,500 of ACT-SO funds was disbursed to the ACT-SO Chair via check.

According to the Branch President and ACT-SO Chair, (cash and check) withdrawals were conducted to help facilitate the Chair's access to program funds for related activities. Both the cash and check withdrawals were completed to either reimburse the Chair for program related expenses that were incurred from her personal funds or given in anticipation of payment for program related expenses that were immediately forthcoming. The ACT-SO Chair provided forty-six (46) receipts totaling \$15,639.86 for program related expenses that were paid from her personal funds and reimbursed from both the cash and check withdrawals. A review of the presented invoices/receipts revealed that the expenses reasonably appeared to be program related based on the nature of the expenses and when and where they were incurred. An analysis of the total cash received via cash/check compared to the presented receipts is shown in the table below:

Analysis of Transactions from July 1, 2016 – July 31, 2018

Transactions	Amount
<i>Cash Withdrawals</i> ¹	\$ 2,981.50
<i>Withdrawal by Check</i> ²	\$ 12,500.00
<i>Cash/Check Withdrawal Total</i>	\$ 15,481.50
<i>Less: Out-of-Pocket Expense Total</i> ³	\$ (15,639.86)
<i>Excess Expenses Incurred</i>	\$ (158.36)

¹Fifteen (15) ATM cash withdrawals were made for a total of \$2,981.50 from November of 2016 through March of 2018.

²One (1) check was disbursed to the ACT-SO Chair in the amount of \$12,500 in July of 2018.

³46 expense receipts/invoices were provided for the period July 1, 2016 through July 31, 2018; however, the payment method was not always identified on each receipt/invoice. The categories of expenses consisted of airfare, lodging, food, transportation, supplies and services.

The above analysis revealed an excess of \$158.36 in expenses were incurred by the ACT-SO Chair that was not reimbursed by cash and/or check during our audit period. However, it must be noted that the withdrawals by cash and check were not completed simultaneous to when the corresponding expenses were incurred (i.e. withdrawals were completed later or in advance of the expenses). Therefore, there is a possibility that corresponding withdrawals and expenses are not fully captured in a selected period. The primary objective in conducting this analysis was to reasonably ensure that the funds received by the ACT-SO Chair were used to support program related costs.

Based upon our audit, the Branch did not effectively manage the ACT-SO program in accordance with the stated policies and procedures established in the *Bylaws for Units of the NAACP*. According to the ACT-SO Chair, due to the nature of the program, the NAACP national office provided her with the approval and guidance to conduct ACT-SO financial transactions outside of the guidelines presented in the *Bylaws for Units of the NAACP*. However, we were not provided any documentation from the ACT-SO Chair to support that this approval and guidance were received from the NAACP national office.

As a result, the ACT-SO program's operational and financial transactions were conducted without independent review by the Executive Committee. This lack of review essentially allowed the program funds to be controlled and directed entirely by the ACT-SO Chair with limited oversight, thus increasing the possibility of misappropriation.

Lack of Timely and Accurate Accounting of Grant Financial Activity

We initiated audit fieldwork with a request to the Branch for necessary financial reports (i.e. statement of activities, check registers, bank reconciliations etc.) that would provide accurate and detailed accounting of the grant funds for the audit period. The Branch was unable to produce financial reports upon immediate request and therefore provided the financial reports after notable delays. After review, we found the presented reports to lack pertinent detail related to the inclusion and proper categorization of all grant related transactions.

According to the *NAACP Unit Financial & Bookkeeping Guide* published by the Finance Department of the NAACP national office, all transactions must be properly documented, and records are to be reconciled to the bank statements monthly. In addition, it is recommended that the units utilize a computerized accounting system.

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. 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.

The delay in producing the requested financial reports was due to the Branch's failure to adhere to the financial policies and procedures set by its parent organization, the NAACP national office. It was later revealed that the financial reports that were presented during the audit were prepared by the Assistant Treasurer of the Maryland State Conference of the NAACP at the request of the Branch President. Ideally, general accounting practices should entail an adequate accounting system, routine reporting, and proper document retention.

As a result of receiving unreliable financial reports, we had to implement alternative audit procedures that consisted of analysis of the Branch's bank statements, submitted supporting

documentation, and interviews with the organization's President and ACT-SO Chair, to provide a representation of the organization's financial activities to facilitate our audit procedures. The lack of timely and accurate accounting and recording of financial transactions can hinder management's ability for effective decision-making, review, and approval.

Failure to Maintain Adequate Documentation

During our audit we selected for testing all bank withdrawal transactions made via cash, debit card, and check, greater than \$5 in value, that were included in the ACT-SO program's bank account. Our testing procedures consisted of requesting documentation to ensure that all transactions were program related and properly supported with a receipt/invoice. The results of our testing revealed that 27% (37 out of 138) of bank withdrawal transactions lacked adequate supporting documentation such as invoices or receipts. The details of these unsupported transactions are illustrated in the table below.

Summary of Unsupported Transactions

<i>Expense Category</i>	<i>Amount</i>	<i># of Transactions</i>
Subscription Services ¹	\$403.31	13
Meals/Refreshments	\$749.07	11
Travel/Lodging	\$588.33	11
Program Supplies	\$39.95	1
Miscellaneous ²	\$8.39	1
Total	\$1,789.05	37

¹ Webpage hosting and e-commerce subscription expenses

² USPS expense

The failure to provide receipts or invoices to support these transactions hindered our analysis in determining whether these transactions could be reasonably associated with the support of the ACT-SO program.

According to the *NAACP Unit Financial & Bookkeeping Guide*, proper supporting documentation must be maintained for each transaction and retained for a period of no less than

three years. Furthermore, the guide states that a lack of documents supporting cash receipts and disbursements is considered an internal audit finding and violation.

Based upon our fieldwork interactions and discussions with the ACT-SO Chair, the lack of adequate documentation can be attributed to the failure to adhere to established document retention policies and procedures. Appropriate review and retention of source documentation used to support transactions are important controls used to ensure the prevention and timely detection of questionable or erroneous transactions.

Grant Funds Directed to an Entity Lacking Organizational Structure

The Branch's FY 2018 grant applications submitted to the County included a federal tax ID number which belonged to the Branch. Based upon the submitted grant applications the County awarded grant funding to the Branch, specifically for the ACT-SO program. However, the bank account number provided on the authorization for electronic funds disbursement form, which was included with the grant applications, belonged to the Prince George's County Youth Council of the NAACP (the "Youth Council").

The Youth Council, which is independent of the Branch, is another local unit of the NAACP. The Youth Council was established to develop youth leadership and inform youth of the problems affecting African-Americans and other racial and ethnic minorities. One of the membership requirements that distinguishes the Youth Council from the Branch is that all Youth Council members are required to be under the age of twenty-five.

County records indicate that grant funding awarded for the ACT-SO program was disbursed to the Branch from FY 2016 to FY 2017. The Branch President and the ACT-SO Chair revealed that oversight of the program was transferred from the Branch to the Youth Council in March of 2018 with approval from the NAACP national office, shortly after the Branch elected a new Treasurer. However, at the time of the program transfer, the Youth Council was devoid of any officers within its executive committee. The Branch did not provide a specific explanation as to why the ACT-SO program was transferred from the Branch to the Youth Council. Additionally, instead of maintaining a separate bank account specifically for ACT-SO program activity, the grant funds were directed into the existing Youth Council bank account, which had a balance of \$1,252.84 on April 30, 2018 prior to the FY 2018 ACT-SO grant disbursements.

In accordance with the *Bylaws for Units of the NAACP*, the Youth Council should have an organized executive committee consisting of the following officers: president, vice president, secretary, assistant secretary, treasurer, assistant treasurer, and chairmen of the standing committees of the Youth Council. However, according to the Branch President, all positions were vacant at the time of the program transfer and remained unoccupied at the time of grant disbursement.

The *Bylaws for Units of the NAACP* also states that the ACT-SO Standing Committee is a committee of the Branch. The listed standing committees of the Youth Council are as follows: Membership; Finance; Press & Publicity; Political Action; Youth Employment; Education; Programs and Research; Entertainment; Juvenile Justice; and Community Coordination. However, the *ACT-SO How-To Manual* states a NAACP Branch or Youth Council in good standing may sponsor the program. Additionally, the ACT-SO Chair stated approval was received from the ACT-SO National Director to transfer ACT-SO from the Branch to the Youth Council. We noted that this conflicts with the *Bylaws for Units of the NAACP* which do not list ACT-SO as a committee of the Youth Council.

According to the *Standards for Excellence*, nonprofits depend upon effective leadership to successfully enact their missions and programs and should have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors.

After the Branch elected Treasurer became active in her duties in 2018, the Branch President and ACT-SO Chair opted to transfer the ACT-SO program to the Youth Council at a time when the Youth Council did not have proper officers in place. Moreover, the Branch failed to adequately distinguish the Prince George's Branch of the NAACP as a separate entity from the Youth Council of the NAACP when applying for FY 2018 County grant funds.

As a result, FY 2018 grant funds were deposited into the account of an unintended entity that lacked organizational structure. Without proper leadership in place, the organization lacked the capacity and structure to assume the delegation of authority over the ACT-SO program.

Questionable Non-Program Related Transactions

During audit testing, we identified six (6) instances where questionable and/or non-program related expenses were incurred using grant proceeds. Further investigation revealed the following information related to these expense transactions:

- Three (3) transactions were brought to the attention of both the Branch President and the ACT-SO Chair, and neither individual could identify the purpose or who initiated the transactions. Details for these transactions are as follows:
 - Purchase made on September 15, 2016, at a kids spa and salon in Bowie, Maryland for \$48.30;
 - Purchase made on September 15, 2016, at a family dentistry business in Laurel, Maryland for \$128.00; and
 - Purchase made on May 11, 2017, at Spirit Airlines for \$276 during a period in which there were no ACT-SO travel plans noted.

During the periods in which the above transactions occurred, the only individuals with debit card access to the ACT-SO account were the Branch President and the ACT-SO Chair.

According to the Chair, the associated bank account was reportedly compromised at an indeterminate point in time during our audit period. However, we were not presented with any documentation to support that the account was ever compromised, or an attempt was made to formally dispute these transactions with the organization's financial institution. Additionally, attempts to discuss the above transactions with the Branch President were met without response.

- In August of 2016, the Branch's Executive Committee and the ACT-SO Chair reached an agreement to lend \$2,500 in restricted ACT-SO program funds from the ACT-SO account to the Branch, to satisfy the Branch's short-term cash needs. A review of email correspondence between members revealed that the purpose of the loan was to cover Branch related expenses such as internet, office maintenance, and election advertisements. A resulting promissory note was signed on August 10, 2016, by the Branch President and ACT-SO Chair, citing a repayment date of November 15, 2016. On November 14, 2016, a payment of \$2,000 was made, leaving an outstanding balance of \$500 which remained unpaid at the time of our audit. The promissory note states if the loan was not repaid by November 15, 2016, interest would run at a rate of 10% from the time the loan originated until the principal was paid in full. To date, no payments have been made for the remaining principal payment or interest incurred.

Note: *The County Council erroneously deposited payments that were intended for the Branch (for various purposes) into the Youth Council's ACT-SO bank account. These erroneous deposits were made due to the organization's failure to submit distinct authorization forms for electronic funds disbursement, one for the Branch and another for the Youth Council. Erroneous deposits to the Youth Council's ACT-SO account totaled \$2,125. As the Branch still owed \$500 in borrowed ACT-SO program funds, the net amount (not including interest) that the Youth Council ACT-SO program needs to return to the Branch is \$1,625.*

- On July 16, 2018, there were \$220.66 in hotel charges incurred at the Hyatt Regency hotel in San Antonio, TX. According to the ACT-SO Chair, these charges were reportedly unrelated to the 2018 national ACT-SO competition. Instead, these hotel charges covered one night of accommodations for a board member of the NAACP and was paid with ACT-SO funds under the instruction of the Branch President. Upon inquiry, the Branch President confirmed that he authorized the expense and that it wasn't ACT-SO related, however no further detail was provided.
- On July 17, 2018, there was a payment of \$150 made to the NAACP. Discussions with the ACT-SO Chair revealed that this payment was a late registration fee for the NAACP's

national convention held in 2018. This fee was not program related as it was a Youth Council expense as opposed to an ACT-SO program expense. It must be noted that this expense was incurred after a point when ACT-SO grant funds were combined with preexisting Youth Council funds, therefore it is possible this expense could have been paid by Youth Council funds. As mentioned earlier, the Youth Council bank account had an existing balance of \$1,252.84 prior to it being consolidated with ACT-SO funds.

In the publication on standards for internal controls (GAO-14-704G) (09/14) the Government Accountability Office (GAO) states that management should perform ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

It is evident that there is a lack of monitoring and oversight of ACT-SO related financial transactions by responsible officers of the Branch's Executive Committee. There was no indication that adequate financial review procedures such as monthly bank reconciliations were completed as required by the *NAACP Unit Financial & Bookkeeping Guide*. As a result, non-program related costs were incurred due to the lack of monitoring and review of financial transactions. Inadequate oversight increases the possibility of misappropriation and is less likely to be identified quickly.

According to grant processing forms, the Branch stated within its mission that the grant funding received would be utilized for travel, accommodations and other costs associated with the execution of local and national ACT-SO competitions. The Maryland Nonprofits' *Standards for Excellence* states solicitation and promotional materials should be accurate and truthful and should correctly identify the organization, its mission, and the intended use of the solicited funds. All statements made by the nonprofit in its fundraising appeals about the use of a contribution should be honored.

Additionally, the *NAACP Unit Financial & Bookkeeping Guide* states the act of disbursing funds from restricted ACT-SO accounts which do not relate to the program is considered an internal audit finding and violation.

These unrelated transactions occurred under the Branch President's instruction and oversight as he authorized the use of restricted program funds for Branch general operating purposes. As a result, restricted funds were used for purposes that were not related to the program and were not identified in the submitted grant applications for FY 2017 and 2018. Generally, unauthorized lending and borrowing of grant funds can result in program deficits and the risk of loss due to misuse.

RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding for the Branch and the ACT-SO program 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 Branch or the ACT-SO program in the future, the following recommendations should be implemented:

- 1. We recommend that the organization should seek to follow the *Bylaws for Units of the NAACP* established by the NAACP national office which require proper approval to be obtained prior to making a payment as well as review by the Executive Committee for requisitions exceeding \$100.**
- 2. We recommend that the organization should discontinue the usage of ATM/debit cards to access cash for anticipated expenditures and/or reimbursements. In accordance with the *Bylaws for Units of the NAACP*, a petty cash account should be established if cash is needed on a frequent basis.**
- 3. We recommend that the organization follow the requirements of the *NAACP Unit Financial & Bookkeeping Guide* which recommend a computerized accounting system and require transactions to be recorded with adequate supporting documentation. Additionally, they should ensure supporting documentation that sufficiently evidences the occurrence of a transaction is maintained for no less than three years by the way of adequate record maintenance and retention procedures.**
- 4. We recommend that the organization provide accurate and up-to-date information on grant application documents to ensure grant disbursements are released to the proper recipient and avoid unintended disbursements to any organization lacking sufficient organizational structure.**
- 5. We recommend that the organization ensure restricted grant disbursements are used solely for program related purposes as stated on grant documentation. Additionally, restricted funds should remain separate from general funds.**
- 6. We recommend that the organization improve monitoring and oversight practices including the review of monthly reports of activity and financial transactions from standing committees. Additionally, the organization should follow the requirements of the *NAACP Unit Financial & Bookkeeping Guide* which require monthly bank reconciliations to be completed by an authorized account signer.**

The Branch operates and reports on a calendar year basis, however our examination was conducted on a basis consistent with program activity and the culmination of the national program which occurs each year in July. For report purposes, the attached Statement of Revenues and Expenditures prepared shows ACT-SO program activities for the periods July 1, 2016 – December 31, 2016; January 1, 2017 – December 31, 2017; and January 1, 2018 – July 31, 2018. The statement was generated based upon a review and analysis of bank statements, submitted documentation along with audit fieldwork responses from the Branch President and ACT-SO Chair.

THE PRINCE GEORGE'S COUNTY BRANCH OF THE NAACP
ACT-SO PROGRAM
STATEMENT OF REVENUES AND EXPENDITURES FOR THE PERIOD
JULY 1, 2016 THROUGH JULY 31, 2018
(CASH BASIS-UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUE:			
County Grant	-	\$11,500	\$13,000
Community Foundation Grant	-	-	3,750
Donations/Misc Revenue	5,280	800	3,650
Total Revenue*	\$5,280	\$12,300	\$20,400
EXPENDITURES:			
Airfare	-	\$400	\$9,125
ATM Cash Withdrawals/Withdrawal by Check	145	2,633	12,704
Net Lodging	5,510	5,552	441
Net Meals and Refreshments	727	2,365	133
Parking/Transportation	10	155	-
Recreation	924	-	-
Room Rental	-	200	-
Unidentified Expenses ¹	176	276	-
Videography Services	250	-	-
Service Subscriptions	-	343	60
Program Supplies	770	1,805	319
Net Miscellaneous/Other	2	19	3
Total Expenditures	\$8,514	\$13,749	\$22,784
Excess Revenue Over/(Under) Expenditures	(\$3,234)	(\$1,449)	(\$2,384)

*Revenue does not include erroneously deposited funds of \$2,125 that were previously mentioned in our finding regarding non-program related transactions.

¹Unidentified expenses consist of questionable bank debits that the Branch President and ACT-SO Chair could not identify as mentioned in our finding titled *Questionable Non-Program Related Transactions*.

Auditor's Comments on the NAACP Rebuttal to the Grant Audit Findings

We have received the rebuttal to our audit of the ACT-SO program from the NAACP and wish to thank everyone involved for their efforts. However, we take exception with several responses and our comments are as follows:

Audit Finding #1- Lack of Adequate Oversight and Approvals:

A&I Report Paragraph I of the finding (page 6) – states, apart from the chair, the members of the ACT-SO committee were not inclusive of the Branch’s Executive Committee members. Further, that with this structure in place, it is imperative that the Branch has an active and engaged Executive Committee to ensure that ACT-SO’s financial decisions are made with adequate oversight and approvals.

NAACP Response: “Pursuant to the Bylaws for Units of the NAACP, Article VIII Section 1(b), only the Chairperson of a Standing Committee shall sit as a member of the Executive Committee. The ACT-SO Chairperson, as appointed by the Branch President/Youth Council Advisor, bears the ultimate responsibility of completing all outlined tasks according to Section 1 of the NAACP ACT-SO “How to Guide” to maintain the integrity of the program. In concurrence that the Branch and the Executive Committee remain active and engaged in the financial decisions of the ACT-SO program, the role of the ACT-SO Chairperson, in accordance with Section 1, How to Guide, includes reporting ACT-SO activities to the Executive Committee of the sponsoring NAACP unit, and submitting accurate financial records to the sponsoring Executive Committee.”

Audits and Investigations’ Comment: We concur that it is the immediate responsibility of the ACT-SO Chairperson to complete his/her duties as they relate to the ACT-SO program. Additionally, it is the responsibility of the Prince George’s County Branch of the NAACP (“Branch” or “PGCB NAACP”) leadership (i.e. the Branch President or Executive Committee) to conduct adequate oversight. These oversight duties should include ensuring that tasks are completed in accordance with policies and procedures outlined in established organizational directives such as Bylaws. As mentioned in our findings, there was no documentation presented during the audit to support that anyone from the Branch or its Executive Committee reviewed reports or approved transactions of ACT-SO activities as required by established organizational Bylaws and guidance.

A&I Report Paragraph II of the finding (page 6) – states, according to Section 4 of Article VII of the Bylaws for Unit of the NAACP, an expense requisition is to be completed for each expense... expenses exceeding \$100 must undergo approval by the Executive Committee before check is issued is an improper interpretation of the Article.

NAACP Response: Pursuant to Article VII Section 4(c) of the Bylaws for Units of the NAACP, [a]ny requisition exceeding one hundred dollars or more... must be approved by the Executive Committee before a check, therefore, is issued. Article VII Section 4(c) does not require an

expense requisition to be completed for each expense. Pursuant to the NAACP ACT-SO, How to Guide, Section 1, the ACT-SO committee is responsible for “developing fundraising activities financial tracking and reporting system and working closely with the treasurer of the sponsoring NAACP Unit.” Annually, the PGCB NAACP Treasurer requests a proposed budget for the upcoming year from all of the Standing Committees. Accordingly, the ACT-SO Chair submits an itemized proposed budget for the upcoming ACT-SO Program year that covers August through July. All proposed budgets received by the Branch Treasurer are consolidated into one proposed budget and distributed to the Executive Committee for approval. The expense requisitions which require approval by the Executive Committee under Article VII Section 4(c) are related to expenses that were not anticipated and thus not included in the annual committee approved budget.

Audits and Investigations' Comment: Article VII Section 1(d) of the Bylaws for Units of the NAACP states that it is the duty of the organization's president to countersign properly supported requisitions for disbursements from the NAACP Unit Treasury. Additionally, section 3 of the Unit Financial & Bookkeeping Guide states proper supporting documentation must be maintained for **each** transaction which includes properly approved purchase requisitions. There is no language to be found in the Bylaws or Bookkeeping Guide to indicate that an expenditure may forego the requisition process based an annual approved budget. Furthermore, there was no documentation provided during the audit to support that an annual submission of the proposed itemized budget of ACT-SO expenses to the PGCB NAACP Treasurer took place or was approved by the Executive Committee of the Branch.

A&I Report Paragraph III of the finding (page 6) – references, the Bylaws for Units of the NAACP Article VIII section 5(u) with an improper interpretation, in that, “all standing committees must report in writing, each month, to the Executive Committee”.

NAACP Response: Pursuant to the Bylaws for Units of the NAACP Article VIII section 5(u), all standing committees shall, not must, report in writing each month to the Executive Committee at its regular meetings. If the ACT-SO Chairperson is not present at the Executive Committee meeting and program activity exist for that period, a report is submitted and distributed to the members of the Executive Committee. However, when the ACT-SO Chairperson is present at Executive Committee meetings, a report of activity is verbally provided and included in the minutes. The minutes are distributed to all Executive Committee members at subsequent meetings. Meeting minutes are then approved and adopted into the branches record, adhering to the requirement of maintaining an active and engaged Executive Committee.

Audits and Investigations' Comment: Our understanding of the definition of the word “shall” and “must” are the same, with both requiring that the task be completed. As stated in the (NAACP) response, whether the ACT-SO Chairperson is present at the Executive Committee meeting or not, ultimately an account of ACT-SO activities should be documented in the written meeting minutes. However, as mentioned in the audit report, the Executive Committee meeting

minutes could not be validated since documentation was not provided during the audit to support that any meetings or ACT-SO discussions occurred.

A&I Report Paragraph IV of the finding (page 6) – states, the NAACP Unit Financial and Bookkeeping Guide emphasizes that all disbursements are to be made by check and that the use of credit card is strictly limited to securing travel, which is limited to air fare, hotel, and rental car for business purposes relating to the unit.

NAACP Response: The NAACP Unit Financial and Bookkeeping Guide also states that a Unit may establish a Petty Cash account for minor purchases and other incidentals if conditions warrant the existence of such an account. The unique programming and expenditures of ACT-SO limits the program's ability to use checks for many expenditures. The PGCB NAACP has regulated critical circumstances in which the establishment of a Petty Cash account for ACT-SO related expenses are vital to the overall execution and success of the program. Petty Cash is monitored and reported in the Branch's Monthly Financial Report to the Executive Committee - maintaining proper oversight of ACT-SO spending.

The ACT-SO standing committee directs ACT-SO's day-to-day operations. The committee is tasked with the responsibility of recruiting sponsors and other community support; recruiting students, coaching and mentoring students, organizing local competitions; preparing documents for national competitions; finance and fundraising planning; public relations and media engagement; and more. Thus, once the Executive Committee approves the proposed budget, budget execution is governed by the ACT-SO Chairperson and Committee following the NAACP ACT-SO How to Guide Section 1.

Audits and Investigations' Comment: The NAACP Unit Financial and Bookkeeping Guide does provide for the usage of a petty cash account for minor purchases and other incidentals with the requirement that adequate records of each transaction are retained. The guide also states that funds may not be withdrawn in any manner other than by check unless a credit card is established in the name of the unit to be used only for securing travel (i.e. airfare, hotel, and rental car) for related business for the unit. In our opinion, making 15 cash ATM withdrawals totaling approximately \$2,982 and securing a \$12,500 check does not constitute petty cash activity. Furthermore, to imply that this activity was monitored and reported to the Executive Committee in the Branch's monthly financial report is unsubstantiated since no report or any other documentation was provided during the audit. Additionally, if this activity was reported to the Executive Committee, as indicated in the response, it would bring into question the committee's oversight judgment given that violations of policy and procedures were apparent.

As mentioned in our previous response, there was no evidence provided during our audit to substantiate that the Executive Committee approved ACT-SO's annual budget or specific expenditures. Nonetheless, the approval of a budget should not allow for established policy and procedures to be circumvented.

Audit Finding # 2 – Lack of Timely and Accurate Accounting of Grant Financial Activity:

A&I Report Paragraph I of the finding (page 8) – states the County Auditors requested necessary financial reports (i.e., statement of activities, check registers, bank reconciliations, etc.) that would provide accurate and detailed accounting of the grant funds for the audit period. The Branch was unable to produce financial reports upon immediate request and therefore provided the financial reports after notable delays.

NAACP Response: On/about August 6, 2018, the PGCB NAACP was officially notified via email and U.S. Mail of the County Audit for period July 1, 2016, through June 30, 2018. The initial County Audit Entrance Conference was conducted on August 30, 2018, with the County Auditors, PGCB NAACP President, PGCB NAACP Treasurer, and the PGCB NAACP ACT-SO Chairperson. During the August 30, 2018 meeting, PGCB NAACP President provided the County Auditors supporting documents for period July 1, 2016, through June 30, 2018, to include bank statements of activities, receipts, bank reconciliations, and more. The PGCB NAACP was notified verbally on August 30, 2018, that the scope of the audit was extended to period July 1, 2016, through July 31, 2018. July 2018 financial supporting documents were later provided to the County Auditors on October 3, 2018. On October 3, 2018, County Auditors requested original ACT-SO financial records and program supporting documents, although copies were provided during the August 6, 2018 meeting. Additional documents submitted included but was not limited to monthly PGCB NAACP Treasure Reports to the Executive Committee, Summary of Funding received from the Community Foundation, names of ACT-SO student participants, correspondence sent to parent, and more – in which these items were not included in the initial letter or request for documents and records received on August 6, 2018. The PGCB NAACP is an all-volunteer association, and the extensive, follow-on requests for various documents created an unanticipated burden on the all-volunteer team during a period of leadership transition – which resulted in the delay to provided additional supporting documents. On October 25, 2018, the branch received a final request to provide contact information for the national point of contact that would best know the policy and frequency of Branch audits; this request was fulfilled the same day.

Audits and Investigations' Comment: The audit officially commenced with the mailing of the audit notification letter on July 26, 2018. After this mailing, our office communicated with the Branch President on several occasions (August 9, 2018, August 20, 2018, and September 4, 2018) in an attempt to schedule an audit entrance meeting. However, we were delayed from conducting this meeting because, according to the Branch President, he had other obligations. He also stated that some of the requested audit documentation was unavailable and that someone from the State NAACP office would be coming to help with preparing financial reports (i.e. profit and loss statements, check registers, reconciliations). Eventually, the audit entrance conference was conducted on September 7, 2018, and at that meeting we were presented with a binder that included various reports which were the product of bank activity that was inputted into QuickBooks in summary form. Although these reports did help to provide a picture of the financial activity of the ACT-SO program, they were not in a form that would provide us with

the necessary information to commence the audit. As a result, we had to use bank statements and alternative audit procedures to proceed with the audit. Also, during this meeting, we expanded the audit period to include July 2018, since we were informed that most ACT-SO activities culminate in July of each year.

It is customary during an audit for an auditor to request additional documentation, which can include original documents, clarifying explanations/information, and supplemental documentation. We do understand that these audit requests can require an auditee to extend their resources. However, one of the conditions of this grant was the possibility that our office could conduct an audit of grant activity. One of the main reasons that an auditor can require an auditee to extend their resources is in situations where documentation isn't available or adequately maintained, which was apparent in this audit. In some instances, during this audit, we did not receive a response to our requests, as was the case with respect to requests made via email on October 15, 2018, and October 25, 2018. To reduce any future audit burden on the Branch we would recommend following established policies and procedures, and ensuring that they are followed by implementing adequate internal controls.

A&I Report Paragraph IV of the finding (page 8) – states, the delay in producing the requested financial reports was due to the Branch's failure to adhere to the financial policies and procedures set by its parent organization, the NAACP national office. It was later revealed that the financial reports that were presented during the audit were prepared by the Assistant Treasurer of the Maryland State Conference of the NAACP at the request of the Branch President.

NAACP Response: The statement of the Assistant Treasurer of the Maryland State Conference of the NAACP involvement in the audit it (is) misleading and inaccurate. There is no correlation to the Assistant Treasurer's involvement and the delay in providing additional supporting documents. At the discretion of the PGCB NAACP President, when the Branch was informed of the impending audit, the Branch immediately notified the Maryland State Conference of the NAACP and the Regional and National Offices of the NAACP. Acting in the best interest of the Association, the State Conference did an initial review of the PGCB NAACP financial records, with particular emphasis on the scope of the Grant Audit (e.g., the ACT-SO Program for the period of July 1, 2016, through June 30, 2018) and appropriately provided assistance in creating a presentable compilation of documents based on the initial request for records. There is no evidence that the PGCB NAACP failed to adhere to financial policies and procedures as noted in the report.

Audits and Investigations' Comment: As mentioned previously, conversations with the Branch President revealed that the requested financial reports were unavailable and that someone from the State NAACP office was assisting with their preparation. The first phase of our audit normally includes the review of financial reports which will help to formulate our audit procedures. There were no financial reports presented to our office other than the reports that were completed with the assistance of the individual from the Maryland State Conference of the

NAACP. And even with these reports, we had to conduct other substantive procedures to be able to commence the audit since the reports were lacking adequate detail. It was evidenced by the lack of detail and supporting documentation that records were not maintained in accordance with the organization's Bylaws, which require proper documentation, expense approval, and monthly reconciliations. We identified that the organization's transactions were not categorized, supporting invoices and receipts were not maintained for each transaction, and there was no evidence that financial reports were being compiled on a routine basis.

A&I Report Paragraph V of the finding (page 8) – states, as a result of receiving unreliable financial report, we [County Auditors] had to implement alternative audit procedures that consisted of analysis of the Branch's bank statements, submitted supporting documentation, and interviews with the organization's President and ACT-SO Chair, to provide a representation of the organization's financial activities to facilitate our [the County Auditor's] audit procedures.

NAACP Response: No additional interviews were conducted with the President and ACT-SO Chair other than the initial County Audit entrance conference. Further conversation and or interviews were available to auditors, however. Additionally, of the \$37,980 in revenue received, the audit report only identifies with absolute certainty \$822.96 (less than 3% of revenue) as expenditures unrelated to ACT-SO programming. There is no evidence of unreliable financial reports provided to the County Auditor.

Audits and Investigations' Comment: The statement that we did not conduct any other meetings with the Branch President and the ACT-SO Chair is false. We had several formal and informal meetings with both individuals which are evidenced and supported by dated documented meeting notes and email correspondence. Furthermore, our interactions with both individuals is stated in our audit report with detailed explanations. The audit revealed \$822.96 of expenses, in addition to a \$2,500 loan that was unrelated to the ACT-SO program. These transactions speak to the organization's inadequate controls around the ACT-SO program that could have led to the misappropriation of program funds. Overall, the reports and documentation that were provided to our office during this audit were untimely, unorganized, and incomplete, which would question their reliability.

Audit Finding # 3 – Failure to Maintain Adequate Documentation

A&I Report Paragraph I of the finding (page 9) – The results of our testing revealed that 27% (37 of 138) of bank withdrawal transactions lacked adequate supporting documentation such as invoices or receipts.

NAACP Response: The PGCB NAACP can neither support to refute this statement, in that there is no clear indication of what documents were included to make this claim. However, the PGCB NAACP has implemented an end-to-end automated acquisition process, to include the purchase of QuickBooks and PayPal to streamline accounting capabilities within the Branch. Specifically, QuickBooks provides capabilities to record and link receipts to expenses virtually. The Branch

implemented the new end-to-end automated acquisition process effective January 2019 – post audit.

Audits and Investigations' Comment: The details supporting this finding are outlined in the report. The missing information outlined in the finding is the result of the lack of documentation provided for requests made during the audit. The organization's bank statements were used to compile financial reports that would aid in our analysis. This process was completed with the assistance of the ACT-SO Chair and Branch President, as we sat with them to review each line item and had continued interactions (i.e. meetings, emails, informal fieldwork discussions, etc.) pertaining to documentation requests. We are pleased to know that a financial reporting program has been implemented and hope that it will be utilized to its full capability to support the ACT-SO program, however, this current implementation does not negate the period during which a financial system was not in place.

Audit Finding # 4 – Grant Funds Directed to an Entity Lacking Organizational Structure

A&I Report Paragraph I of the finding (page 10) – The Branch's FY 2018 Grant Application submitted to the County included a federal tax ID number which belongs to the Branch. Based upon the submitted grant applications, the County awarded grant funding to the Branch, specifically for the ACT-SO program. However, the bank account number provided on the authorization for electronic funds disbursement form, which was included with the grant application, belonged to the Prince George's County Youth Council of the NAACP (the "Youth Council") ...

NAACP Response: The County awarded a grant specifically to the Prince George's County NAACP ACT-SO Program, not identifying the adult or youth council charters. An ACT-SO program can be sponsored by either an adult Branch or a Youth Council as stated in Section 1 of the NAACP ACT-SO How to Guide. Although, the Youth Council is an independent charter, pursuant to the Bylaws of the Units of the NAACP Article VII Section 1(b) the Youth Council Advisor and President both are members of the adult Branch Executive Committee. The statements in the audit report improperly imply that the transfer of the ACT-SO program from the adult Branch to the Youth Council signifies a misappropriation of funds as awarded. The ACT-SO Program concedes that the FY 2018 grant applications submitted to the County included a federal tax ID number which belonged the Branch, mistakenly failing to file an amendment to the application and unintentionally failing to notify the County of the change. However, the awarded funds were ultimately disbursed to the intended recipient. Pursuant to the Bylaws for the Units of the NAACP Article VI, Section 3(f) the Youth Council officers are elected to the Executive Committee for one year or until their successors are elected and qualified. The audit report improperly states that during the transfer, all required positions were vacant when in fact all positions were occupied and on record with the National office until the successors elected. Additionally, the audit report improperly states that the transfer of the ACT-SO Program to the Youth Council took place shortly after the election of a new Treasurer to the Branch in 2018. The Treasurer was elected to a two-year term in 2016 and at the time of the

transfer had already served most of the term as Treasurer of the Branch. With that said, the Branch did not fail to distinguish the Prince George's Branch of the NAACP as a separate entity from the Youth Council, as it was not necessary since the intended beneficiary and proper recipient of the funds was the Prince George's NAACP ACT-SO Program.

Audits and Investigations' Comment: Although the NAACP allows for the ACT-SO program to be sponsored by either the Branch or the Youth Council, the grant application submitted by Branch indicated that the program would be conducted under the Branch and not the Youth Council's oversight. To move the program to another independent organization, without informing the County, for no apparent reason, is disingenuous. It is the Branch's duty to distinguish itself apart from the Youth Council for accurate recordkeeping and reporting to the IRS.

During the audit, the Branch President and ACT-SO Chair were asked on numerous occasions whether the Youth Council had any officers in place when the ACT-SO program was transferred to its authority. They responded that the Youth Council's executive committee was in the process of being set up with the only person currently involved being a Youth Council Advisor. No other names were provided for this organization's committee. Whether or not there were officers on record for this organization at the National office is moot, especially if the names represented currently inactive members.

With respect to the audit report stating that the Branch Treasurer was elected in 2018, this has been corrected in the final report to state that the transfer occurred when the Branch Treasurer became active in her duties in 2018. The treasurer was elected to a two-year term in 2016; however, she did not become active until the latter part of her term until she became bonded, as required by NAACP Bylaws.



OFFICERS

Robert E. Ross
President

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April Martin
Secretary

Rhonda Thomas
Assistant Secretary

John Simms
Treasurer

Jerome Jones
Assistant Treasurer

David H. Van Dyke, CPA
OFFICE OF AUTIDS AND INVESTIGATIONS
4741 Governor Oden Bowie Dr #1101
Upper Marlboro, MD 20772

Dear Mr. Van Dyke,

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 Approval Annual Current Expense Budget. This letter serves as the official rebuttal for the Prince George's County Branch of The National Association for the Advancement of Colored People (NAACP), Afro-Academic, Cultural, Technological and Scientific Olympics (ACT-SO) Program Grant Audit for the period July 1, 2016, through July 31, 2018.

Prince George's County Branch of the NAACP has implemented actions to address the concerns outlined in the County Council and County Executive ACT-SO Audit Report. Many of these actions included, but not limited to, implemented an end-to-end automated acquisition process, to include the purchase and use of QuickBooks and PayPal to streamline accounting capabilities within the Branch; structured the ACT-SO program as a Committee within the branch and not as a separate entity (e.g., the "Youth Council"); and updated records keeping practices in accordance with the NAACP Unit Financial & Bookkeeping Guide – effective January 2019 – post audit.

The Prince George's County Branch of the NAACP asks that the County Council and County Executive *non-concur* with the recommendations outlined in the report "Grant Audit March 2019" based on the information provided in Appendix A. For additional questions, please feel free to contact the undersigned.

Sincerely yours,

Robert Ross, President,
Prince George's County NAACP

Appendix A – Rebuttal

BACKGROUND OF THE PRINCE GEORGE'S COUNTY ACT-SO

The NAACP ACT-SO Program began in 1978, later activated in Prince George's County in September 2011. Since activation, over 300 Prince George's County High School students have participated in ACT-SO and competed in a series of local and national competitions in categories to include Science, Technology, Engineering and Math (STEM), Humanities, Performing Arts, Visual Arts, Business, Culinary Arts and Hospitality Management. Prince George's County Branch (PGCB) NAACP continues to establish firm conviction that all students can succeed and compete at the same or superior levels as their counterparts in classrooms, boardrooms, and laboratories across this nation and abroad. To date, PGCB NAACP ACT-SO Participants have won 94 national medals and continues to establish a model of excellence.

In 2015, PGCB NAACP ACT-SO partnered with one of the world's largest multinational food service corporations, Sodexo. Sodexo Chefs have mentored and trained PGCB NAACP ACT-SO Participants in both Culinary and Hospitality Management. With Sodexo's assistance, participants have garnered over \$100,000 in scholarships to the Culinary Institute of America. In 2016, PGCB NAACP surpassed the national record for most medals won at a National ACT-SO Competition; earning 15 medals in various categories. The enormous strides made by the PGCB NAACP ACT-SO Program has not gone unrecognized by the NAACP National Office. In 2015, Prince George's County was invited to participate in a pilot for Hospitality Management, the first team category offered in the competition. Similarly, in 2017 PGCB NAACP ACT-SO Participants were invited to attend in the Arts and Entertainment Intensive hosted by the National Office in Hollywood, California. The Arts and Entertainment Intensive is fully funded by the NAACP National Office, with various workshops lead by celebrities, entertainers, and public figures.

The NAACP ACT-SO Program continues to recruit, stimulate, and encourage high academic and cultural achievement among African-American high school students. In support of the foundational principles of the ACT-SO Program, the Association continues to provide exposure and experience to students which has been invaluable.

The day to day operations of the ACT-SO Program is completely lead and executed by volunteers, in which 100% of the funds received are used to implement the program – to include all participation, travel, and accommodations bearing no financial burden on students expanding the opportunity of participation.

RESPONSE TO FINDING, COMMENTS AND RECOMMENDATIONS

Lack of Adequate Oversight and Approvals

Paragraph I. – states, apart from the chair, the members of the ACT-SO committed were not inclusive of the Branch’s Executive Committee members. Further, that with this structure in place, it is imperative that the Branch has an active and engaged Executive Committee to ensure that ACT-SO’s financial decisions are made with adequate oversight and approvals.

Response: Pursuant to the Bylaws for Units of the NAACP, Article VIII Section 1(b), only the Chairperson of a Standing Committee shall sit as a member of the Executive Committee. The ACT-SO Chairperson, as appointed by the Branch President/Youth Council Advisor, bears the ultimate responsibility of completing all outlined tasks according to Section 1 of the NAACP ACT-SO “How to Guide” to maintain the integrity of the program. In concurrence that the Branch and the Executive Committee remain active and engaged in the financial decisions of the ACT-SO program, the role of the ACT-SO Chairperson, in accordance with Section 1, How to Guide, includes reporting ACT-SO activities to the Executive Committee of the sponsoring NAACP unit, and submitting accurate financial records to the sponsoring Executive Committee.

Paragraph II. – states, according to Section 4 of Article VII of the Bylaws for Unit of the NAACP, an expense requisition is to be completed for each expense... expenses exceeding \$100 must undergo approval by the Executive Committee before check is issue is an improper interpretation of the Article.

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Paragraph I. – states the County Auditors requested necessary financial reports (i.e., statement of activities, check registers, bank reconciliations, etc.) that would provide accurate and detailed

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On October 3, 2018, County Auditors requested original ACT-SO financial records and program supporting documents, although copies were provided during the August 6, 2018 meeting. Additional documents submitted included, but was not limited to monthly PGCB NAACP Treasure Reports to the Executive Committee, Summary of Funding received from the Community Foundation, names of ACT-SO student participants, correspondence sent to parent, and more – in which these items were not included in the initial letter or request for documents and records received on August 6, 2018. The PGCB NAACP is an all-volunteer association, and the extensive, follow-on requests for various documents created an unanticipated burden on the all-volunteer team during a period of leadership transition – which resulted in the delay to provided additional supporting documents. On October 25, 2018, the branch received a final request to provide contact information for the national point of contact that would best know the policy and frequency of Branch audits; this request was fulfilled the same day.

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Response: The statement of the Assistant Treasurer of the Maryland State Conference of the NAACP involvement in the audit is misleading and inaccurate. There is no correlation to the Assistant Treasurer's involvement and the delay in providing additional supporting documents. At the discretion of the PGCB NAACP President, when the Branch was informed of the impending audit, the Branch immediately notified the Maryland State Conference of the NAACP and the Regional and National Offices of the NAACP. Acting in the best interest of the

Association, the State Conference did an initial review of the PGCB NAACP financial records, with particular emphasis on the scope of the Grant Audit (e.g., the ACT-SO Program for the period of July 1, 2016, through June 30, 2018) and appropriately provided assistance in creating a presentable compilation of documents based on the initial request for records. There is no evidence that the PGCB NAACP failed to adhere to financial policies and procedures as noted in the report.

Paragraph IV. – states, as a result of receiving unreliable financial report, we [County Auditors] had to implement alternative audit procedures that consisted of analysis of the Branch’s bank statements, submitted supporting documentation, and interviews with the organization’s President and ACT-SO Chair, to provide a representation of the organization’s financial activities to facilitate our [the County Auditor’s] audit procedures.

Response: No additional interviews were conducted with the President and ACT-SO Chair other than the initial County Audit entrance conference. Further conversation and or interviews were available to auditors, however. Additionally, of the \$37,980 in revenue received, the audit report only identifies with absolute certainty \$822.96 (less than 3% of revenue) as expenditures unrelated to ACT-SO programming. There is no evidence of unreliable financial reports provided to the County Auditor.

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Paragraph I. – The results of our testing revealed that 27% (37 of 138) of bank withdrawal transactions lacked adequate supporting documentation such as invoices or receipts.

Response: The PGCB NAACP can neither support to refute this statement, in that there is no clear indication of what documents were included to make this claim. However, the PGCB NAACP has implemented an end-to-end automated acquisition process, to include the purchase of QuickBooks and PayPal to streamline accounting capabilities within the Branch. Specifically, QuickBooks provides capabilities to record and link receipts to expenses virtually. The Branch implemented the new end-to-end automated acquisition process effective January 2019 – post audit.

Grant Funds Directed to an Entity Lacking Organizational Structure

Paragraph I. – The Branch’s FY 2018 Grant Application submitted to the County included a federal tax ID number which belongs to the Branch. Based on upon the submitted grant applications, the County awarded grant funding to the Branch, specifically for the ACT-SO program. However, the bank account number provided on the authorization for electronic funds

disbursement form, which was included with the grant application, belonged to the Prince George's County Youth Council of the NAACP (the "Youth Council") ...

Response: The County awarded a grant specifically to the Prince George's County NAACP ACT-SO Program, not identifying the adult or youth council charters. An ACT-SO program can be sponsored by either an adult Branch or a Youth Council as stated in Section 1 of the NAACP ACT-SO How to Guide. Although, the Youth Council is an independent charter, pursuant to the Bylaws of the Units of the NAACP Article VII Section 1(b) the Youth Council Advisor and President both are members of the adult Branch Executive Committee. The statements in the audit report improperly imply that the transfer of the ACT-SO program from the adult Branch to the Youth Council signifies a misappropriation of funds as awarded. The ACT-SO Program concedes that the FY 2018 grant applications submitted to the County included a federal tax ID number which belonged the Branch, mistakenly failing to file an amendment to the application and unintentionally failing to notify the County of the change. However, the awarded funds were ultimately disbursed to the intended recipient. Pursuant to the Bylaws for the Units of the NAACP Article VI, Section 3(f) the Youth Council officers are elected to the Executive Committee for one year or until their successors are elected and qualified. The audit report improperly states that during the transfer, all required positions were vacant when in fact all positions were occupied and on record with the National office until the successors elected.

Additionally, the audit report improperly states that the transfer of the ACT-SO Program to the Youth Council took place shortly after the election of a new Treasurer to the Branch in 2018. The Treasurer was elected to a two-year term in 2016 and at the time of the transfer had already served the majority of the term as Treasurer of the Branch. With that said, the Branch did not fail to distinguish the Prince George's Branch of the NAACP as a separate entity from the Youth Council, as it was not necessary since the intended beneficiary and proper recipient of the funds was the Prince George's NAACP ACT-SO Program.