

TAKE CHARGE JUVENILE DIVERSION PROGRAM, INC.

**GRANT AUDIT
September 2014**

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

September 2014

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

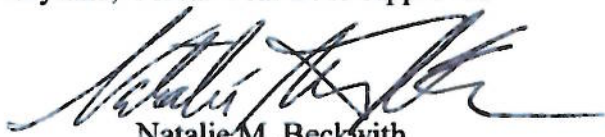
TAKE CHARGE JUVENILE DIVERSION PROGRAM, INC.

for the period July 1, 2012, through June 30, 2013. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted no matters involving the Prince George's County grant to the Take Charge Juvenile Diversion Program, Inc. that led us to believe that the County grant funds were used for other than their intended purpose. However, we did note instances where adequate documentation for financial transactions was not being maintained. Additionally, we also noted a situation where the independence of the audit firm that conducted Take Charge Juvenile Diversion Program, Inc.'s annual financial statement audit was impaired, thus nullifying its ability to render an opinion on these statements. As a result, we did not place any reliance upon the annual financial statement audit conducted by this firm.

This report, in our opinion, fulfills the requirements of Council Resolution 51-1991 to perform random financial audits of grants and transfer payments made pursuant to the Non-Departmental section of the Prince George's County, Maryland, Fiscal Year 2013 Approved Operating Budget.


David H. Van Dyke, CPA
County Auditor


Natalie M. Beckwith
Auditor-In-Charge

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Take Charge Juvenile Diversion Program, Inc.

The Prince George's County Government awarded Take Charge Juvenile Diversion Program, Inc. (Take Charge) eight grants totaling \$144,000 in fiscal year 2013. These awards were issued from July of 2012 through June of 2013. A summary of the grants awarded is as follows:

<u>Check Date</u>	<u>Grant Award Amount</u>
7/24/2012	\$75,000
9/7/2012	2,500
9/7/2012	2,500
12/21/2012	3,000
3/14/2013	6,000
4/8/2013	50,000
4/12/2013	4,000
6/25/2013	1,000
Total Amount Awarded	<u>\$144,000</u>

This funding was to be used expressly for Take Charge's core program functions. Take Charge is a self-supported organization, receiving funds from grants and fundraising activities. Take Charge has been in existence for 23 years and provides intervention and prevention services to at risk youth throughout the County. Take Charge is incorporated as a 501(c) (3) non-profit organization.

Take Charge currently provides juvenile diversion services that include gang prevention, vehicle theft prevention, and job readiness trainings to imperiled adolescents ages 18 and under. These services are provided at no cost to the participant.

We examined the books and records maintained by Take Charge, and included tests of the accounting records and other auditing procedures, as we determined necessary. Our examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices. We noted no instances that led us to believe that County grant funds were used for other than their intended purpose; however, there were 13 instances where adequate supporting documentation was not maintained. These instances were for program related expenditures (i.e. gasoline, telephone service, office supplies, and compensation costs) ranging from \$80.27 to \$3,600.00, representing approximately 26%, or \$12,244.26, of the total dollar amount reviewed, and 36% of the total transactions reviewed during the audit. Based upon our assessment, the level of inadequacy mentioned above was due to a lack of an internal control structure and records mismanagement. Given the degree of inadequacy described above we recommend:

- 1. Take Charge Juvenile Diversion Program, Inc. conduct a thorough evaluation of its internal controls with respect to record keeping and perform the necessary structural changes to ensure that all financial transactions can be adequately supported. These changes may include the development of written policies and procedures, the hiring or reallocation of staff, and staff training.**

Also, while conducting the audit, we were informed that the audit firm that performs Take Charge's annual financial statement audit is also the same entity that performs its monthly bookkeeping. Included in the monthly bookkeeping services are the recordation and classification of all financial transactions, preparation and storage of source documentation, and the preparation of the organization's Profit and Loss Statement. These bookkeeping services are performed without any input or direction from any Take Charge representative. In accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Independence

guidelines, certain bookkeeping activities performed by an audit firm may impair their independence as it relates to an audit conducted on the same client. Specifically, AICPA Code of Professional Conduct section .05 101-3, "Nonattest Services", states that while conducting audit services independence may be impaired if an auditor or audit firm also conducts bookkeeping services that include determining or changing journal entries, account coding, or classification of transactions or other accounting records without obtaining client approval. Independence may also be impaired if the auditor or audit firm in question prepares any source documents for the client. Based upon the information that was gathered during the audit, it is our opinion that the audit firm that conducted Take Charge's financial statement audit, while providing bookkeeping services consistent with activities mentioned above, had its independence impaired.

Based on the findings described above we recommend:

- 2. Take Charge Juvenile Diversion Program, Inc. should take the necessary steps to ensure that the individual or firm that conducts its annual financial statement audit does not conduct bookkeeping services that are consistent with activities that may impair independence.**

The attached Statement of Revenues and Expenditures for the period ending June 30, 2013, shows the activities of the organization for the period in which the grant funds were received.

TAKE CHARGE JUVENILE DIVERSION PROGRAM, INC.
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

	<u>FY 2013</u>
REVENUES:	
County Grant Payments	\$144,000
Program Income	135,354
Other Income	<u>60,508</u>
Total Revenues	\$339,862
 EXPENDITURES:	
Salaries / Wages	\$125,174
Payroll Taxes	2,963
Fringe Benefits	6,467
Contracted Services	75,829
Publicity & Advertisement	2,713
Recreation & Entertainment	3,577
Accounting & Professional Services	15,969
Rent	34,948
Depreciation Expense	5,500
Repair & Maintenance	5,565
Office Expenses	4,527
Insurance	17,270
Bank Charges	263
Supplies	6,406
Equipment Rental / Leases	4,844
Printing / Copying	2,576
Telephone	6,905
Postage, Shipping & Delivery	729
Conferences & Conventions	7,384
Travel & Transportation	9,197
Property Taxes & License	300
Miscellaneous Expenses	<u>3,236</u>
Total Expenditures	<u>\$342,340</u>
 Excess Revenue Over/(Under) Expenditures	 <u>(\$2,478)</u>