

HANDS OF HOPE FOUNDATION, INC.

GRANT AUDIT
September 2019

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

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|--------------------|
| Letter of Transmittal | |
| Executive Summary | 2 |
| Grant Audit Report | 3-12 |
| Audit Recommendations..... | 13-14 |
| Summary of Revenues and Expenditures..... | 15 |



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

September 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

HANDS OF HOPE FOUNDATION, INC.,

for the period July 1, 2015, through June 30, 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 Hands of Hope Foundation, Inc., that led us to question whether County grant funds were used for its 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 Year 2016-2018 Approved Operating Budget.

A blue ink signature of David H. Van Dyke, CPA, County Auditor.

David H. Van Dyke, CPA
County Auditor

A black ink signature of Larry Whitehurst Jr., CPA, MBA, Audit Manager.

Larry Whitehurst Jr., CPA, MBA
Audit Manager

A black ink signature of Martina Alston, Staff Auditor.

Martina Alston
Staff Auditor

Executive Summary

Hands of Hope Foundation, Inc. (“HOHF”) received a total of \$80,000 in grant funds from the Prince George’s County Government (the “County”) between FY 2016 and FY 2018. During our audit we noted several matters involving the grant funding provided to the HOHF that are cause for concern. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to the HOHF at this time. A summary of these issues is provided below, and further details can be found in the following report.

- HOHF’s Board of Directors failed to provide adequate organizational oversight with respect to addressing the establishment of the organization’s policies and procedures, and the review of financial related issues.
- An HOHF Board Member received compensation for clerical services provided to the organization, which impaired her independence with respect to Board member duties.
- HOHF does not have an adequate accounting system in place to account for its grant related financial activity. The current process in place does not allow for the production of basic financial reports such as bank reconciliations, statements of financial position, and statement of financial activities.
- HOHF did not maintain adequate documentation for 84% of the transactions selected in our sample, which represented approximately \$19,903. Some of the documentation that was lacking included signed consultant and contractual agreements, original invoices/receipts, detailed listings of attendees/recipients for related organizational events and charitable giveaways (i.e. holiday turkeys and gift cards).
- HOHF failed to comply with Federal and State government regulations. The specifics of this non-compliance are as follows:
 - Failure to register with the State of Maryland in order to solicit charitable contributions in Maryland in accordance with the Maryland Solicitations Act;
 - Contribution made to a local political candidate’s campaign in violation of Internal Revenue Service (IRS) section 501(c)(3) restriction on political campaign involvement;
 - Failure to issue and file 1099 forms in accordance with IRS guidelines for payments made to contractors in excess of \$600.

Hands of Hope Foundation, Inc.

Hands of Hope Foundation, Inc. is a 501(c)(3) nonprofit organization that was incorporated in 2012 with a mission to provide a high level of support to caregivers by providing recreational activities and delivering quality community-based resources and services. HOHF was founded by its Chief Executive Officer (CEO) and her spouse, who is the Vice President (VP), with the vision to create a contemporary, compassionate, multifaceted, and relevant healthcare service support group for caregivers of older adults and the young alike.

HOHF is operated out of the personal residence of its CEO and VP, which is located at 6611 Highgate Drive in Fort Washington, Maryland. The organization works in collaboration with the Maryland Department of Aging, several community and church organizations, and social service agencies to aid in providing a network of support for hundreds of community caregivers. HOHF is governed by a volunteer Board of Directors who serve without compensation. The Board is responsible for overall policy and direction, and delegates responsibility for day-to-day operations to the CEO and VP. During our audit period, HOHF's Board of Directors consisted of eight (8) members, inclusive of the CEO and VP.

HOHF reported that it provides the following services to achieve its mission:

- **Caregiver support** by providing resources such as listings of community and government agencies that are available to help;
- **Advocacy** by offering training, workshops, and hosting an annual Caregivers' Conference to give a voice to the caregiver community;
- **Referral Services** to help clients navigate forms, agencies, and providers based on specific needs.

The Prince George's County Government (the "County"), by way of the Prince George's County Council ("the Council"), awarded Hands of Hope Foundation, Inc. four (4) grants totaling \$80,000 from FY 2016 to FY 2018. A summary of the grants awarded is as follows:

| Payment Date | Grant Type ¹ | <u>Grant Award Amount</u> |
|-----------------------------|-------------------------|---------------------------|
| 12/11/2015 | Non-Departmental | \$ 25,000 |
| 8/30/2016 | Non-Departmental | 25,000 |
| 10/17/2017 | Non-Departmental | 20,000 |
| 7/3/2018 | Special Appropriation | <u>10,000</u> |
| Total Amount Awarded | | <u>\$ 80,000</u> |

¹ Non-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, HOHF received a grant of \$1,000 from The Community Foundation in Prince George's County, which was also sourced by County funding. This grant was received in FY 2015, which was prior to the audit period, and therefore was not included in the scope of this audit. However, it is included in HOHF's statement of revenues and expenditures detailed at the end of the report, which presents 2015-2018 on a calendar year basis.

According to the grant applications submitted by HOHF, FY 2016 funding was to be used for events, personnel, supplies, and administrative costs; FY 2017 funding was to be used for the program director's salary, meetings, and supplies; and FY 2018 funding was to be used for workshop programs, food, special events, marketing/advertising, supplies, and other fees.

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, 2015 through July 31, 2018.

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Hands of Hope Foundation;
- Hands of Hope Foundation Bylaws and Policy on Conflicts of Interest and Disclosure of Certain Interests;
- Internal Revenue Service (IRS) Code and 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 personnel of HOHF 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 HOHF 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 relevant invoices/receipts. The results of our findings are outlined below.

FINDINGS, COMMENTS AND RECOMMENDATIONS

Lack of Adequate Organizational Oversight

Hands of Hope Foundation, Inc. (HOHF) is a small organization that has its day-to-day operational and financial decisions made by the CEO and the VP. With this structure in place, it is imperative that the organization have an active Board of Directors to ensure that organizational and financial decisions are made with adequate oversight and approval. According to discussions with the CEO, during our audit period, the Board of Directors for the HOHF consisted of her, her spouse, and six (6) individual members. One (1) Board member (Treasurer) became inactive with respect to her Board member duties due to health complications. Another Board member worked and received payments in the amount of \$9,477 for clerical services rendered to the HOHF from 2016 through 2018, which puts in question her ability to act as an independent member of the Board. However, subsequent to the audit, the CEO provided a termination letter for this Board member with an effective date of September 22, 2018.

According to HOHF Bylaws, Board meetings are to be conducted quarterly. When asked to produce the minutes from the Board meetings that were conducted during the audit period, we were presented with a binder that contained various email correspondence. A detailed review of the emails revealed that they contained agendas, topics covered, and attendees for various meetings that were conducted for HOHF related events and activities. It was unclear as to whether these meetings were general in nature or formal Board meetings. However, none of the documented meetings addressed policy and procedures or financial related topics, which are typically discussed during formal Board meetings. The failure to communicate, discuss, and address these topics during meetings with the Board left decisions in these areas (i.e. all organizational and financial approval) to be made without any objective oversight.

The Maryland Nonprofits *Standards for Excellence*: An Ethics and Accountability Code for the Nonprofit Sector states the following:

“An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization’s allocation of resources to effectively and efficiently fulfill its mission.”

“Nonprofits should also 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.”

“Nonprofits should have written financial policies that are adequate for the size and complexity of the organization. These policies should address investment of the assets of the organization, internal controls, purchasing, and unrestricted current net assets.”

Furthermore, the *Standards for Excellence* states 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.

HOHF Bylaws state the following:

“The Board shall meet at least once every three months at an agreed upon time and place.”

“...The board – with the exception of the executive director- receives no compensation other than reasonable expenses.”

“The Treasurer shall make a report at each Board meeting. Treasurer shall chair the finance committee, assist in the preparation of the budget, help develop fundraising plans, and make financial information available to Board members and the public.”

“The Finance Committee is responsible for developing and reviewing fiscal procedures, a fundraising plan, and annual budget with staff and other Board members. The Board must approve the budget, and all expenditures must be within the budget. The Board or the Executive Committee must approve any major change in the budget. The fiscal year shall be the calendar year. Annual reports are required to be submitted to the Board showing income, expenditures and pending income. The financial records of the organization are public information and shall be made available to the membership, Board members and the public.”

Based on discussions with the HOHF’s CEO and VP, it appears that the Board was more focused on the organization’s program activities rather than procedural and policy issues. Additionally, the absence of the Board Treasurer, due to her health issues, also contributed to the lack of the Board’s focus on financial and procedural aspects of the organization.

As a result, the organization’s non-programmatic activities were made without independent oversight from its Board of Directors. Furthermore, given the size and structure of HOHF 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 Board of Director 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;
- Development of overall organizational direction with the establishment of goals and initiatives.

Lack of Accounting of Grant Financial Activity

At the start of audit fieldwork, a request was made to the organization to provide our office with the necessary 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 meeting with both the CEO and the VP, it became apparent that the organization lacks an adequate accounting system to account for its grant financial activity. All HOHF expense transactions were executed by either the CEO or VP using a check, debit or credit card, and then in some instances, transactions were recorded in a notebook capturing the date, amount, and vendor. No other formal accounting practice, such as bank reconciliations or the recording of financial transactions to support the production of basic financial statements and reports, were completed. HOHF's current manual practice of utilizing a notebook to track only some financial transactions, conducted in isolation, is not an effective means to support fundamental financial accounting and reporting. Sound accounting practices would suggest that there be a system in place that would support basic accounting functions such as bank reconciliations, the input of financial transactions, and the production of detail and summary financial reports. While a formal accounting system is not required to perform these functions, it would be the best solution given its inherent ability to perform these functionalities.

According to the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* ("Standards for Excellence"), states the following:

"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. A nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses."

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.

Based upon fieldwork conversations/interactions and an examination of the notebook used to capture some expense transactions, we believe the organization lacked the expertise and knowledge to facilitate the production of basic financial reports.

The lack of an adequate accounting system could create an environment where recordkeeping and financial reporting is vulnerable to gross inaccuracies. As a result of a lack of an adequate accounting system, 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. The process of manually reviewing the organization's financial documents was time consuming, and ultimately prolonged the audit process.

Failure to Maintain Adequate Supporting Documentation

To determine whether the HOHF grant expenses were adequately supported with appropriate documentation (i.e. invoice, receipt, contract/agreement etc.) and aligned with its mission, we utilized the organization's check registers and bank statements, for the period of July 2016 through July 2018, and selected a sample of 91 transactions totaling approximately \$25,179. The results of our testing revealed that 76 transactions totaling approximately \$19,903 lacked adequate supporting documentation. A summary of these transactions is illustrated in the table below.

| <i>Expense Category²</i> | Amount | # of Trans. |
|--|-----------------|--------------------|
| <i>Cash Withdrawals by CEO</i> | \$9,938 | 19 |
| <i>Payments to Individuals</i> | 3,255 | 13 |
| <i>Food Purchases</i> | 2,818 | 25 |
| <i>Consultant Payments</i> | 1,160 | 2 |
| <i>Outings/Events</i> | 1,213 | 5 |
| <i>Caregiver Giveaways</i> | 712 | 5 |
| <i>Miscellaneous</i> | 339 | 2 |
| <i>Professional Fees</i> | 255 | 1 |
| <i>Supplies</i> | 213 | 4 |
| <i>Total</i> | \$19,903 | 76 |

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

² Due to limited documentation, A&I categorized each transaction based on the nature of the expenditure and input received from HOHF representatives.

- Cash Withdrawals by CEO – Cash withdrawals totaling \$9,938 were made by HOHF's CEO via Automated Teller Machines (ATMs), checks made payable to cash, and checks directly made payable to the HOHF's CEO with no explanation or evidence of Board approval. According to HOHF's CEO, she did not receive any compensation from the organization and that these cash withdrawals were made to pay for organizational expenses. We were provided with receipts totaling approximately \$1,100 for business-related (food for meetings, supplies, etc.) expenses that could not be tied to the HOHF's bank account, and therefore could potentially be representative of usage of some of the cash withdrawals. However, without any supporting documentation (i.e. Board approval, meeting notes) we were unable to correlate these expenses to HOHF events/activities.
- Payments to Individuals – Payments totaling \$3,255 were made to individuals, or independent contractors, who assisted with HOHF operations and/or participated in events that were held. We were not provided with supporting documentation such as contracts or invoices detailing the services provided.
- Food Purchases – HOHF incurred costs for food purchases totaling \$2,818. According to HOHF, these food purchases were for monthly meetings, business luncheons, outings, and other events. We were only provided receipts to support \$1,172 of the total incurred. However, none of the purchases were supported by evidence of the corresponding meetings/events such as formal meeting minutes and/or attendee lists.
- Consultant Payments – HOHF made payments to two (2) consulting firms totaling \$1,160. According to HOHF's CEO, one payment for \$160 was made to a financial consultant for services rendered. The other payment of \$1,000 was made to a separate consulting firm with a check memo that stated, "Spa Day". Neither payment was supported by a signed agreement detailing the specific service rendered.
- Outings/Events – HOHF offers respite to its clients by the way of various outings and events. HOHF incurred a total of \$1,213 for the following outing/events:
 - \$538 for a Mother's Day Cruise;
 - \$250 to a nonprofit organization for a caregiver outing;
 - \$185 for a caregiver conference event hosted by the Department of Family Services;
 - \$150 to a nonprofit organization for a caregiver event; and
 - \$90 to a nonprofit organization for a caregiver conference.

HOHF was unable to provide invoices, receipts or a list of attendees for any of the above-mentioned outing/events.

- Caregiver Giveaways – HOHF purchased gift cards and 30 turkeys totaling \$322, and \$390, respectively, which were noted as caregiver giveaways. HOHF did not provide a listing of the recipients of the gift cards. With respect to the turkey giveaway, a list of 13 recipients was provided. However, we were not provided with the number of turkeys given to each recipient. Additionally, we identified one (1) recipient on the listing provided as a member of HOHF's Board of Directors.

- Miscellaneous – Miscellaneous transactions include a payment of \$299 made via PayPal and a payment of \$40 made to Maryland Gov Pay. Each transaction lacked any supporting documentation such as an invoice or receipt that detailed the nature or purpose of the transaction.
- Professional Fees – A payment was made for an annual renewal fee to the National Association of Social Workers in the amount of \$255. No receipt or invoice was provided.
- Supplies – Four (4) supply purchases were made at stores such as Staples and Walmart totaling \$213. No receipts were provided for these purchases.

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.”

Based on our fieldwork interactions and discussions with HOHF representatives, the lack of documentation could be attributed to the organization’s lack of expertise in the area of best accounting practices. Appropriate review and retention of source documentation used to support transactions are important controls to ensure the prevention and timely detection of questionable or erroneous transactions.

The failure to maintain adequate documentation to support grant transactions prevents an effective detailed review of these transactions, either from management at the time of the transaction was initiated, or during a subsequent audit, ensuring that they were reasonable, accurate, and aligned with the organization’s mission/purpose. Additionally, without corresponding expense receipts, the cash withdrawals made by the HOHF’s CEO could be considered personal use and thereby subject to income tax by the IRS.

Non-compliance with Federal and State Government Regulations

During our review, we assessed whether the organization's operations were conducted in accordance with applicable laws, regulations, and policies. We identified the following deficiencies:

- **Non-compliance with the Maryland Solicitations Act** – The Maryland Solicitations Act requires a charitable organization that solicits charitable contributions in the state 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 soliciting. Generally, only religious organizations, organizations affiliated with religious organizations, and organizations soliciting contributions only from its membership are eligible for an exemption from the registration requirements. Evidence of an organization's adherence to this requirement is based upon inclusion on the Maryland Secretary of State's Charities Database. We were unable to locate HOHF on the State's charities database, which indicates that the organization was not registered with the state prior to soliciting and is in violation of the Maryland Solicitations Act.

Under Maryland statute, 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."

- **Violation of the IRS Section 501(c)(3) restriction on political campaign involvement** – An inquiry on the Maryland Campaign Reporting Information System revealed that HOHF contributed of \$250 to a local political candidate's campaign committee account on December 6, 2014 for the 2015 annual filing period.

Section 501(c)(3) of the IRS Code states the following:

"Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity. Violating this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes.

- **Failure to issue and file 1099 forms for contractors** – According to the Internal Revenue Service (IRS), a Form 1099-MISC must be completed for any individual or non-incorporated entity that receives income totaling \$600 or more for services performed by a non-employee in the course of business during the calendar year. The organization making payment must submit this form to the IRS and provide a copy to the payee. A&I requested a Form 1099-MISC for all individuals that were paid \$600 or more during a

calendar year from 2015 through 2018; however, according to the HOHF president and vice president, there were no 1099 forms issued during this period. We reviewed bank statements from January 1, 2015, through December 31, 2018, and determined payments totaling \$600 or more (within a calendar year) were made to several individuals. The table below shows the payments broken down by year.

| <i>Calendar Year</i> | 2015 | 2016 | 2017 | 2018 |
|---|-------------|-------------|-------------|-------------|
| <i># of Individuals receiving \$600 or more</i> | 1 | 4 | 3 | 4 |
| <i>Annual Payment Total</i> | \$888 | \$10,900 | \$4,375 | \$8,071 |

The Internal Revenue Service (IRS) guidelines states the following with respect to Form 1099-MISC reporting:

If you pay independent contractors, you may have to file Form 1099-MISC, Miscellaneous Income, to report payments for services performed for your trade or business. If the following four conditions are met, you must generally report a payment as nonemployee compensation.

1. You made the payment to someone who is not your employee;
2. You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations);
3. You made the payment to an individual, partnership, estate, or in some cases, a corporation; and
4. You made payments to the payee of at least \$600 during the year.

The HOHF's CEO and VP stated they were unaware of certain regulatory requirements with respect to registering the organization and submitting specific documentation. This indicates the organization's representatives did not exercise due diligence in researching legal requirements prior to beginning operations.

Furthermore, HOHF did not properly monitor or track payments made to contractors in a way that would allow for a year-end analysis in determination of whether limits were reached that would require reporting to the IRS.

Failure to adhere to the Maryland Solicitations Act could subject the organization and its designated representative to investigation and on conviction of a misdemeanor, penalties such as imprisonment and/or a fine not exceeding \$5,000, depending on the severity of the violation.

Failure to submit required 1099 forms to the IRS could subject the organization to late filing penalties of ranging from \$30-550 per return.

Violating the restriction of political campaign intervention by section 501(c)(3) tax-exempt organizations could result in denial or revocation of the organization's tax-exempt status and the imposition of certain excise taxes.

RECOMMENDATIONS

As mentioned previously, based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to the HOHF 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 HOHF in the future, the following recommendations should be implemented:

- 1. We recommend that the HOHF establish a Board of Directors comprised of individuals 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 not only program activities, but also any of the needs of the organization. The discussions conducted during these Board meetings should be well 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. 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 written policies and procedures to govern day to day operations. These policies and procedures should specifically address financial and accounting processes to include the review and reconciliation of financial transactions, and accurate recording and categorization of expenses.**
- 2. We recommend that the HOHF 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, some of which include a statement of activities, statement of financial position, check register, and bank reconciliations, to support financial activity.**
- 3. We recommend that the HOHF implement a policy that requires the retention of adequate documentation (i.e. receipts, invoices, signed contracts/agreements, attendee lists for organization events), for at least three (3) years, to support any grant related transaction. Payment for all organizational expenses should be made by either check made payable to a vendor/individual or by a bank card linked to the organization's bank account. The practice of securing cash via ATM withdrawals and checks made payable to cash should be discouraged or limited to emergency circumstances. Additionally, given the size of HOHF, we would recommend that**

their Board of Directors take an active role in ensuring compliance with this policy by conducting reviews of documentation supporting grant transactions.

- 4. We recommend that HOHF conduct the necessary research to ensure compliance with Federal, State, and Local laws and regulations that are applicable to 501(c)(3) nonprofit organizations.**

HOHF operates and reports on a calendar-year basis, however our examination was conducted on a fiscal-year basis. For reporting purposes, the attached Statement of Revenues and Expenditures is presented on a calendar-year basis, consistent with HOHF operations. The Statement of Revenues and Expenditures shows the activities of the organization for the periods ending December 31, 2015, December 31, 2016, December 31, 2017, and December 31, 2018. The statement was generated based upon a review and analysis of HOHF's bank statements, submitted documentation along with audit fieldwork responses from HOHF's CEO.

HANDS OF HOPE FOUNDATION, INC.
STATEMENT OF REVENUES AND EXPENDITURES FOR THE PERIODS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2018
(CASH BASIS-UNAUDITED)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| REVENUES: | | | | |
| Prince George's County Grant | \$25,000 | \$25,000 | \$20,000 | \$30,000 |
| Community Foundation Grant | 1,000 | - | - | - |
| Other Income | - | 1,510 | 3,655 | 760 |
| Total Revenues | <u>\$26,000</u> | <u>\$26,510</u> | <u>\$23,655</u> | <u>\$30,760</u> |
| EXPENDITURES: | | | | |
| Caregiver Giveaways | \$- | \$137 | \$505 | \$62 |
| Cash Withdrawals (via ATM/Check) | 1,203 | 2,855 | 6,290 | 2,765 |
| Conferences, Events, and Outings | 150 | 7,830 | 940 | 1,380 |
| Food and Drink | - | 2,661 | 3,203 | 2,714 |
| Materials and Supplies | - | 2,475 | 1,656 | 6,413 |
| Consultant Payments | - | - | 1,160 | 1,000 |
| Payments to Individuals | 269 | 10,340 | 5,100 | 9,406 |
| Nonprofit Payments/Donations | - | 610 | 240 | 775 |
| Miscellaneous | 35 | - | 339 | 299 |
| Travel and Transportation | - | - | 300 | 118 |
| Professional Fees | - | 255 | 715 | - |
| Service Fees | 272 | 252 | 299 | 1,091 |
| Total Expenditures | <u>\$1,929</u> | <u>\$27,415</u> | <u>\$20,746</u> | <u>\$26,023</u> |
| Excess Rev Over/(Under) Exp | <u>\$24,071</u> | <u>(\$905)</u> | <u>\$2,909</u> | <u>\$4,737</u> |