

LAUREL BOYS AND GIRLS CLUB, INC.

GRANT AUDIT
November 2013

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

November 2013

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 annual current expense budget.

We have examined the books and records of the

LAUREL BOYS AND GIRLS CLUB, INC.

for the period July 1, 2010, through June 30, 2012. 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 Laurel Boys and Girls Club, 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.

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 2011 and 2012 Approved Operating Budgets.

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

David H. Van Dyke, CPA
County Auditor

A blue ink signature of Natalie M. Beckwith, Auditor-In-Charge.

Natalie M. Beckwith
Auditor-In-Charge

Laurel Boys and Girls Club, Inc.

The Prince George's County Government awarded the Laurel Boys and Girls Club, Inc. (Club) four grants totaling \$17,500 in fiscal years 2011 and 2012. These awards were issued in July 2010 (\$5,000), June 2011 (\$2,000), December 2011 (\$7,500), and May 2012 (\$3,000). This funding was to be used expressly for the Club's core program functions.

Laurel Boys and Girls Club, Inc. is a self-supported organization, receiving funds from grants, registrations, and fundraising activities for its community's youth. The Club has been in existence for 59 years, providing beneficial activities for the youth of their community. The organization is incorporated as a 501(c) (3) non-profit organization and has the unique distinction of being the largest boys and girls club in the State of Maryland.

The Club reports that they provide services to approximately 2,900 Prince George's County and other area youth in the areas of basketball, boxing, cheerleading, football, soccer, and wrestling. The Club also provides an after school program that focuses on the enhancement of life skills, homework assistance, and recreation. Additionally, the Club serves as a community resource for character and leadership development, education and career development, and high school development.

Laurel Boys and Girls Club, Inc. is currently housed in the 60,000 square foot building that was the former location of Laurel High School. In December 2002, pursuant to Council Bill 72-2002, the property was declared surplus and transferred to the Club at no cost. This property has been listed on the National Register of Historic Places since 1979.

The Club is governed by an eight member Board of Directors, each with an individual service term requirement of two years. There is currently one paid contract employee, and a community service director, who works 35 hours per week.

We examined the books and records maintained by Laurel Boys and Girls Club, Inc. and included such tests of the accounting records and other auditing procedures, as we determined necessary. Consideration was given to the fact that the records of the organization were reviewed and included in the scope of the financial audit conducted by Gross Mendelsohn and Associates, P.A., independent auditors, for the fiscal years ended November 30, 2010, and November 30, 2011, and no discrepancies or irregularities were disclosed. Our examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices. We noted no instances that led us to believe that County grant funds were used for other than their intended purpose; however, we discovered two instances where adequate documentation was not being maintained. We also reviewed the status of previous audit findings included in the audit report issued in December 2006 and have included those results in our report.

During the course of the audit, it was noted that one of the Club's volunteers had submitted a check request in the amount of \$420 to fund the purchase of items needed for an awards ceremony. While the fund request was processed and paid, as evidenced by the corresponding cancelled check, there was no authorized signature (i.e. Club Treasurer's signature) on the check request document supporting this transaction. Furthermore, there was no documentation presented (i.e. receipts, invoices) to support the actual purchases made with the funds provided.

In December of 2010, the Club issued a check in the amount of \$1,029.91 to an Avon Company (Avon) product representative as payment for a fundraising activity. Members of the cheerleading squad solicited orders for Avon products from various patrons and the payments for those products were to be collected by the cheerleading squad and forwarded to the Club for deposit into the fundraising account. Upon deposit of these funds, Avon was to issue an invoice to the Club reflecting the costs of the items ordered less any profit that the Club would retain. However, there was no documentation presented to support the initial orders made by the patrons or the invoicing of item costs from Avon. Additionally, we were unable to identify any Avon related deposits to the Club's fundraising account. The only documentation related to the transactions that was presented was a copy of the cancelled check issued to the Avon representative and the Club's corresponding bank statement that indicated that the check had been cashed.

Based on the findings described above we recommend:

- 1. Laurel Boys and Girls Club, Inc. retain the necessary supporting documents for all financial transactions.**
- 2. The Laurel Boys and Girls Club, Inc. refrain from entering into fundraising activities that cannot be properly accounted for, or that do not produce positive results for the Club, as fundraising activities are intended. Risky or undocumented fundraising activities should be avoided or future grant monies may be jeopardized or subject to return to the grantor organization. Consideration should be given to having the Club's Board of Director's approve all fundraising activities, especially ones that are outside of the normal scope of fundraising activities for boys and girls clubs.**

Status of Prior Audit Recommendations – December 2006

In December of 2006, the Office of Audits and Investigations issued an audit report for the \$15,500 in grant funds received by the Laurel Boys and Girls Club from the County for fiscal

year 2005. The audit report included several recommendations related to the Club's financial systems and financial statements, oversight by the Board of Directors, disclosure of Club information on its website, and retention of an accounting professional for accounting and reporting assistance. The following is a summary of the prior audit recommendations and their current status:

<u>Recommendation</u>	<u>Status</u>	<u>Comments</u>
The Club should request that an independent CPA firm perform a thorough assessment of the Club's internal control environment and internal financial systems.	Satisfied	The Club has an audit conducted on an annual basis by an independent CPA firm. Included in the annual audit is an assessment of the accounting principles utilized by the Club and an evaluation of their overall financial presentation.
The Club should revise its financial systems and statements to segregate operational revenues and expenses from its facility renovation expenses.	Satisfied	The Club's Montgomery Street location is no longer undergoing renovation. Their annual financial statements now reflect expense categories for both program expenditures and expenditures related to building loan renovations.
The Club should increase the fiscal oversight of the Board of Directors.	Satisfied	The Club's financial statements are reviewed by the Board of Directors on a quarterly basis.
The Club should update its website to include information regarding its financial status and Board of Directors.	Satisfied	The Club's website includes information on its Board of Directors and has a portal where individuals may request a copy of its most recent annual financial report.
The Club should retain a competent accounting firm to provide ongoing assistance with maintaining proper accounting ledgers, advice on internal controls, issuing interim financial reports to the Board of Directors and ensuring that all state and federal reporting requirements are met.	Satisfied	The Club has retained an independent CPA firm which assists them with maintaining an updated financial register and advises them on how to maintain proper internal controls. The CPA firm also ensures that the Club prepares and submits financial statements to its Board members on a quarterly basis and that it prepares and files the required state and federal financial documents on an annual basis. The Club is currently up-to-date on all of their required Federal Form 990 filings.

LAUREL BOYS AND GIRLS CLUB, INC.
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIODS JULY 1, 2010, THROUGH JUNE 30, 2011
AND JULY 1, 2011, THROUGH JUNE 30, 2012

	<u>FY 2011</u>	<u>FY 2012</u>
REVENUES:		
County Grant Payments	\$7,000	\$10,500
Other Grants	5,453	7,026
M-NCPPC Grant Payment	75,000	75,000
Bond Bill Grant	25,000 ⁱ	-
Contributions	87,840	50,874
Rental Revenue	99,324	105,414
Program Revenue	204,813	70,283
Fundraising	98,284	127,196
Miscellaneous	9,622	6,179
Bad Debt Fees and Sales	150	-
Bad Debt Program Sales	391	-
Special Events	10,289	-
Bank Credit	9,173	4,441
Total Revenues	<u>\$632,339</u>	<u>\$456,913</u>
EXPENDITURES:		
Bank Charges	\$2,362	\$5,611
Program Expenses	215,516	145,066
Payroll	37,017	38,727
Foundation Subscription Service	1,620	360
Administration	54,997	38,611
Occupancy	750	2,328
Travel and Meetings	2,517	557
Depreciation and Amortization	94,814	-
Business Expense	1,982	670
Bankcard Service Charge /Credit Card	27,346	28,609
Fundraising	120,164	126,354
Sponsorship	200	-
Bus Expenses	6,931	4,935
Miscellaneous	6,848	100
Maintenance	847	31,345
Supplies	6,544	3,345
Insurance	2,250	2,360
Staff Development	3,407	1,729
Computer Services and Equipment	7,065	238
Utilities	82,355	44,379
Loan Payment	5,571	10,324
Mortgage Interest	5,689	-
Property Taxes	1,520	1,579
Total Expenditures	<u>\$688,312</u>	<u>\$487,227</u>
Excess Revenue Over/(Under) Expenditures	<u><u>\$55,973</u></u>	<u><u>\$(30,314)</u></u>

ⁱ Bond Bill Grant of \$25,000 was awarded as a one-time reimbursable grant.