

**NIAIMANI CHOICES, INC**

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**GRANT AUDIT**  
**October 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

October 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

### **NIAIMANI CHOICES, 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 grants to the Nialmani Choices, Inc. that led us to question whether the 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 through 2018 Approved Operating Budget.

A blue ink signature of David H. Van Dyke, written in a cursive style.

David H. Van Dyke, CPA, CIA, CFE  
County Auditor

A blue ink signature of Turkessa M. Green, written in a cursive style.

Turkessa M. Green, CPA, CIA, CISA  
Deputy County Auditor

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Jisun Ahn  
Auditor-In-Charge

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## ***EXECUTIVE SUMMARY***

Nialmani Choices, Inc. ("NCI") received a total of \$60,600 in grant funds from the Prince George's County Government between FY 2016 and FY 2018. During our audit, we noted several matters involving the grants provided to NCI. A summary of these issues is provided below. Details of the matters noted can be found in the following report.

- Basic internal controls, such as maintaining written procedures and appropriate documentation, and supervisory review and approval of expenses prior to payment were lacking.
- NCI's Board of Directors lacked independence - some Board Members received payment for services provided to the nonprofit and one member is the President/CEO of the for-profit consulting firm that runs the nonprofit.
- NCI's Board of Directors did not formally approve all contractual agreements, did not review financial information at all quarterly board meetings, and did not hold and/or properly document board meetings through approved minutes.
- There is a lack of segregation of duties - the President/CEO of the consulting firm that runs the nonprofit made many major decisions without Board approval and signed checks made payable to herself from the organization.
- NCI did not maintain adequate financial records. Key financial documents (i.e. the income statement, balance sheet, budget reports, and annual financial statements) were requested during the audit but not provided in a timely manner and were unreliable since the Office of Audits and Investigations (A&I) was not able to verify/cross-reference the reports to supporting documentation provided during the review.
- Adequate documentation was not maintained for the grant revenue and expenses reviewed (i.e. sources of revenue, complete bank statements, documented business purpose for expenses, copies of checks written, receipts, reimbursement request forms, etc.)
- The Executive Director of NCI is currently employed by the County and did not submit official notice or a request to the Office of Ethics and Accountability to review his secondary employment for potential conflicts with his employment with the County Government.
- NCI (or the consulting firm running the nonprofit) entered into several contracts that were deemed inappropriate in fact or appearance.
- NCI paid several individuals, including Board Members, \$600 or more per tax year and did not issue Form 1099-MISC, as required by the IRS.

- NCI was not registered with the State of Maryland, as required by the Maryland Solicitations Act.

The major areas of concern require further investigation by the County Government and remedial action by the organization. The following recommendations are discussed in the report:

- The Prince George's County Government should discontinue awarding County grant funds to Nialmani Choices, Inc.
- The Prince George's County Council should ensure that all contracts awarded on behalf of the County Government are made in accordance with the Prince George's County Charter.
- The Prince George's County Board of Ethics should determine if there is a potential conflict of interest regarding the County employee's position as the Executive Director of Nialmani Choices, Inc.
- Nialmani Choices, Inc. should ensure that it is in full compliance with all local, state and federal laws that apply to the organization.
- Nialmani Choices, Inc. should ensure that any County Grant or Community Foundation funds that have not yet been expended or any future grant funds received from the County are used solely as designated in the grant application.
- Nialmani Choices, Inc. should review the contracts the organization is named as a party to and determine if the contracts are appropriate in fact or in appearance to the organization.
- Nialmani Choices should evaluate and strengthen its Board of Directors to ensure the Board can provide the appropriate oversight of the organization.
- Nialmani Choices, Inc. should take the necessary steps to ensure that a sound accounting and internal control system is in place to properly account for any future funding that it may receive.

### **NiaImani Choices, Inc**

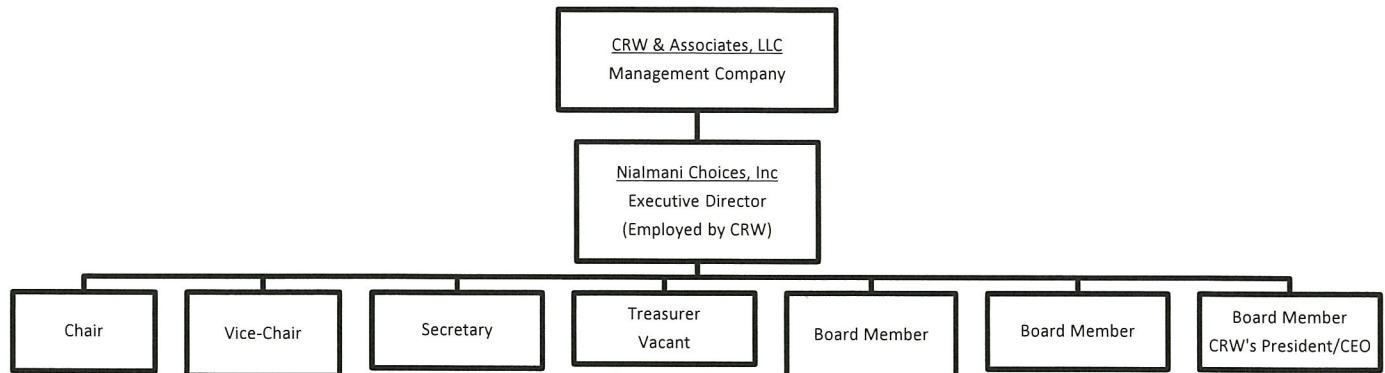
NiaImani Choices, Inc. (“NCI”) is a 501(c)(3) that was incorporated in 2013 with the mission of providing grassroots education and outreach services to disadvantaged residents of communities in Maryland and surrounding states. NCI, located in Lanham, Maryland, has operated under the theme “healthy people equal healthy communities”.

NCI reported they offer the following programs:

- National Fatherhood Initiative (NFI) – Improve the well-being of children through the promotion of responsible fatherhood. This will be accomplished by increasing the proportion of children with involved, responsible and committed fathers.
- Heart Healthy Families – A faith-based health education and outreach program that teams up with leaders in faith communities to run a series of weekly classes to educate families about the causes of heart disease, the benefits of a healthy diet, and the importance of regular exercise.
- Imani’s Closet – A clearinghouse for donated preemie and newborn-sized clothing specifically for preemie children born to low-income families.
- NiaImani Choices Male Caregivers (UMOJA Circle) – A support group for fathers and males that provide care to loved ones with complex and special health care needs.
- Charles H. Watlington, Sr. Scholarship Fund – Encourages, promotes, and supports high school seniors who wish to pursue higher education in the field of STEM (science, technology, engineering and math) or the health care profession.

NCI is governed by a Board of Directors who reports to CRW & Associates. CRW & Associates (“CRW”) is a full-service for-profit consulting firm specializing in designing and implementing customized solutions to meet the needs of government, nonprofit, and corporate clients. The President/CEO of CRW, who is also the founder of the nonprofit, sits on the Board of NCI.

The Board of NCI, which serves without compensation, oversees the operational affairs of NCI and has the authority to establish and execute policies to ensure the effective governance and management of the organization. A current overview of NCI’s organizational structure is shown in Figure 1 on the following page.



(Figure 1)

The Prince George's County Council appropriates funds to support nonprofit organizations throughout the County in the form of grants. The Non-Departmental budget included funds to fulfill grant requests received from County non-profit organizations. Non-Departmental grant funds are to be used to support citizen/community-based programs and services that help address the human, social, education, recreation and other service needs of the County's citizens and communities. The Special Appropriation Grants are dispersed by Council Members to help support non-profit organizations providing programs and services to Prince George's County citizens and communities. County Council grants are awarded through a formal application process.

The Prince George's County Council awarded two (2) grants totaling \$23,000 to NCI during fiscal years 2017 and 2018. These grants were issued to NCI as shown in Exhibit 1.

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
8/26/2016	Non- Departmental	\$12,000
12/22/2017	Special Appropriation	\$11,000
<b>Total Amount Awarded</b>		<b><u>\$23,000</u></b>

(Exhibit 1)

Additionally, the Prince George's County Government previously utilized a donor-advised fund with The Community Foundation for the National Capital Region ("The Community Foundation"). Donor-advised funds were a fund structure where the individual or business creating the fund is granted advisory rights by The Community Foundation, which enables the donor and/or their designee the ability to recommend grant distributions from the fund. The Community Foundation awarded fifteen (15) grants totaling \$37,600 to Nialmani Choices in fiscal years 2016 through 2018. These grants were issued to NCI as shown in Exhibit 2 on the following page.



<u>Disbursement Date</u>	<u>Grant Award Amount</u>
1/4/2016	\$2,000
3/4/2016	\$2,000
4/11/2016	\$1,000
5/17/2016	\$1,000
6/9/2016	\$1,000
8/5/2016	\$1,000
8/30/2016	\$19,600
10/14/2016	\$1,000
11/28/2016	\$2,000
2/8/2017	\$2,000
4/5/2017	\$1,000
5/16/2017	\$1,000
6/19/2017	\$1,000
7/10/2017	\$1,000
8/4/2017	\$1,000
<b>Total Amount Awarded</b>	<b><u>\$37,600</u></b>

(Exhibit 2)

The direct County grants and indirect County grants (through the Community Foundation), totaling \$60,600 (See Exhibit 3), accounted for 25.1% of NCI's revenue in FY 2016, 91.6% in FY 2017, and 78.3% in FY 2018. The remainder of NCI's revenue was received through donations and fundraising to support its operations.

<u>Grant Type</u>	<u>Grant Award Amount</u>
County	\$12,000
Community Foundation	\$37,600
<b>Total Amount</b>	<b><u>\$60,600</u></b>

(Exhibit 3)

Although NCI operates and reports on a calendar year, our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Revenues and Expenditures, **Schedule 1**, prepared by A&I shows the activities of the organization for the periods ending June 30, 2016, June 30, 2017, and June 30, 2018.



## **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 NCI'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 2015 through June 2018 (a total of \$60,600).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Nialmani Choices, Inc.;
- The United States General Accountability Office Standards for Internal Control publication ([GAO-14-704G](#)); and
- [Maryland Nonprofit's Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector](#); and
- Internal Revenue Code (IRC)/Internal Revenue Service (IRS) guidelines.

The audit included interviews with key personnel of NCI and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990 returns for 2016 and 2017;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

A&I examined the books and records maintained by NCI and performed tests of the accounting records and other auditing procedures, as deemed necessary. The examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices.

The field work related to the audit was completed on July 10, 2019. Although some documentation was provided by NCI, A&I did not receive sufficient documentation to support NCI's revenue and expenditures, in order to obtain reasonable assurance that the County grant funds awarded to the organization were properly supported and utilized for their intended purpose.

## **FINDINGS, COMMENTS AND RECOMMENDATIONS**

### **INTERNAL CONTROLS AND THE CONTROL ENVIRONMENT**

A&I requested policies related to the fiscal operation of NCI and were provided CRW's Accounting Policies and Procedures Manual. **NCI did not provide evidence that it has a formal accounting system, accounting practices, and written procedures in place outlining financial practices and policies specific to NCI's operations. A&I also noted that there were no board approvals and proper documentation for any of the partnerships or financial commitments made by NCI.**

**A&I noted that copies of the monthly bank statements for all the operating accounts maintained by NCI were not retained and that bank reconciliations were not performed by the organization. Other key documents such as complete monthly and/or annual financial statements for NCI were requested, but not provided for our review.**

An organization's control environment should establish the overall tone, awareness, and actions of the board of directors, management, and staff, concerning the importance of internal controls and its role in the organization. In an organization with a good internal control environment, responsibilities are clearly defined, and authority is assigned to specific individuals to permit identification of whether persons are acting within the scope of their authority.

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. 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 reports, and safeguards to protect the integrity of the reporting systems.

Auditing standards define internal controls as a process designed to provide reasonable assurance that entity objectives will be achieved, including the objectives of reliable financial reporting, compliance with applicable laws, and the effectiveness and efficiency of the organization's service delivery processes. The primary function of internal controls is to provide assurance that errors and irregularities may be discovered with reasonable promptness.

Bank reconciliations are an important process designed to uncover any old outstanding checks or deposits that need to be researched. It's also a crucial tool to help monitor the organization's cash flow, as the accounting records are likely up to date if monthly reconciliations are performed, and reconciling differences are resolved in a timely manner. Ongoing monitoring during operations, which includes supervisory review of reconciliations and other financial documents, is also important to assess the quality of financial information provided to Management, the Board, and other stakeholders.

The bylaws for NCI stated that all records shall be retained for a period of no less than five (5) years from the date of origination. The Internal Revenue Service ([IRS Publication 4221-PC \(Rev. 3-2018\)](#)) also states that a public charity must keep records for federal tax purposes for as

long as they may be needed to document evidence of compliance with provisions of the Internal Revenue Code (IRC). Generally, this means the organization must keep records that support an item of income or deduction on a return for a minimum of three (3) years from the date the return is due or filed, whichever is later. Good business practices also recommend retention of pertinent documentation for at least three years.

#### ORGANIZATIONAL STRUCTURE

**CRW & Associates was primarily responsible for making decisions for NCI and made major decisions regarding the use of funds and the future operations of NCI**, per a written contract between NCI and CRW. (See Contracts Section of this report for more details.)

**The President/CEO of CRW had substantial influence as a member of the Board of NCI and having the ultimate authority, as the management company (CRW), for implementing decisions of the governing body and managing the finances of the organization.** The Bylaws of NCI state that a descendent of Nia Imani Lampkin, a Family Member Director, must sit on NCI's Board of Directors. The President/CEO of CRW verbally reported to A&I that she was the Family Member Director.

Per Treasury Reg. 1.501(c)(3)-1(d)(1)(ii):

*“ ...it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.”*

Another individual also had substantial influence by serving as a Board Member for NCI, being a paid contractor for CRW, and executing services for NCI. A&I noted that this board member was also an employee of CRW for an unknown period of time during their tenure as a board member of NCI.

The Bylaws of NCI required that the Board adopt a conflict of interest policy that covers Directors, Officers, employees, and volunteers with significant decision-making authority with respect to the resources of the Organization. NCI's Bylaws state that a conflict of interest is considered to exist when a real, perceived or potential business arrangement or relationship outside of the Organization may have a real, perceived or potential positive or negative impact upon the Organization, its business activities, employees or the Board.

At the commencement of the audit, A&I requested a copy of all internal policies and procedures that are used to govern the operations of the organization. However, NCI did not provide A&I with its conflict of interest policy.

The IRS also strongly encourages nonprofits to implement a formal, written conflict of interest policy. A formal conflict of interest policy would offer protection against charges of impropriety involving officers, directors, or trustees. Per the IRS, nonprofits will lose their tax-exempt status

if they don't operate in a manner consistent with their charitable purpose. Serving private interests is inconsistent with accomplishing charitable purposes. Per the IRS:

*A disqualified person is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during the lookback period. It is not necessary that the person actually exercise substantial influence, only that the person be in a position to do so.*

The IRS defines substantial influence as a person who holds any of the following powers, responsibilities, or interest is considered to be in a position to exercise substantial influence over the affairs of the organization, regardless of title:

- A voting member of the governing body;
- A person who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization;
- A person who has ultimate responsibility for managing the finances of the organization.

The IRS states that facts and circumstances that tend to show a person has substantial influence over the affairs of an applicable-tax exempt organization include:

- The person who founded the organization;
- The person is a substantial contributor to the organization;
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees;
- The person manages a discrete segment or activity of the organization that represents a substantial portion of its activities, assets, income, or expenses;
- The person owns a controlling interest in a corporation, partnership, or trust that is a disqualified person.

Furthermore, the *Standards for Excellence* states that nonprofits should have a written conflict of interest policy and statement. This policy would be applicable to board members, staff, and volunteers who have significant, independent decision-making authority regarding the resources of the organization. The conflict of interest statement should provide space for the board member, employee, or volunteer to disclose any known interest that the individual, or a member of the individual's immediate family, has in any business entity which transacts business with the organization.

### BOARD OF DIRECTORS

**Based on a review of incomplete board minutes A&I noted the following areas of concern:**

- **The Board of Directors did not formally approve contractual agreements and other financial commitments of the organization.**
- **Board members did not review regular financial information for the organization (i.e. financial reports, grant applications, budget variance reports, etc.); and**



- **Board meetings were not appropriately documented through approved minutes. Additionally, A&I was not provided minutes for all quarterly meetings held during the audit period, as required by the Bylaws of NCI.**

IRS Publication 4221-PC (Rev. 3-2018) states that board minutes are permanent records and should be kept permanently.

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

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

#### SEGREGATION OF DUTIES

**A&I noted that there was no segregation of duties regarding the handling of cash receipts and disbursements. The President/CEO of CRW was the sole individual responsible for authorizing transactions and signing all checks, regardless of the amount of the transactions.** A&I noted that checks totaling \$39,600 were written by the President/CEO to herself, to cash, or to CRW during the period under review (See Exhibit 4 on the following page for details), and that 1099s were not issued to the President/CEO for payments made by NCI to her (See Personnel section for details).

<u>Check Date</u>	<u>Check Amount</u>	<u>Payee</u>
10/26/2015	\$4,000	Cash
11/25/2015	\$2,500	Cash
1/15/2016	\$1,900	Cash
3/25/2016	\$1,800	Cash
5/17/2016	\$1,000	Cash
6/17/2016	\$1,000	CRW & Associates
7/15/2016	\$2,000	President/CEO
8/22/2016	\$1,000	CRW & Associates
9/13/2016	\$1,000	CRW & Associates
9/26/2016	\$2,000	President/CEO
12/15/2016	\$2,000	CRW & Associates
12/30/2016	\$2,000	CRW & Associates
3/1/2017	\$2,000	CRW & Associates

7/20/2017	\$2,400	CRW & Associates
1/23/2018	\$5,000	CRW & Associates
5/31/2018	\$4,000	CRW & Associates
6/29/2018	\$4,000	Cash
<b>Total Amount</b>	<b><u>\$39,600</u></b>	

(Exhibit 4)

Ideally, the organization's financial duties and other areas that deal with sensitive or valuable data should be distributed among multiple people to help protect the organization from errors, fraud, and waste of fiscal resources. For smaller organizations that may not have enough personnel for a proper separation of duties, someone independent of these functions should review/reconcile posted transactions regularly, adding to the system of checks and balances. A&I noted that the Bylaws of NCI require two signatures for the disbursement of funds.

The President/CEO of CRW designated a Certified Public Accountant (CPA) to be responsible for maintaining the checkbooks and the accounting of financial activity for the organization. According to NCI, the President/CEO of CRW, previous Chairperson, Executive Director, and Treasurer of the Board had signature authority for NCI's SunTrust bank account during this period.

During the audit period A&I noted that there were no written procedures specific to NCI regarding the processing of cash disbursements and there was no consistent practice in place for processing expenditure payments.

#### KEY FINANCIAL RECORDS

Generally, an entity will create and maintain certain key financial documents such as an income statement, a balance sheet, monthly bank reconciliations, budget variance reports, and annual financial statements. During the audit, NCI was asked to provide various financial documents for examination. **NCI provided financial reports after multiple requests for the documentation. However, A&I was unable to cross-reference or verify the information on the financials to the supporting documents provided during the review.**

A&I reviewed each payment/withdrawal recorded on the bank statements, compiled all the payment/withdrawal transactions into a database, examined each to determine the nature of the expenditure, and classified each expenditure into categories based on the description of the vendor or the description of the transaction, if provided by NCI. The Statement of Revenue and Expenditures, shown in **Schedule 1**, includes the categories of expenses A&I identified through review of NCI's bank statements and inquiries of NCI.

NCI, through CRW, routinely used a CPA to file NCI's annual Federal Income Tax Form 990 and perform bookkeeping duties. A&I reviewed the Federal Form 990 for the years 2016 and 2017, and compared the Form 990s to the bank statements and invoices that were provided by

NCI. A&I was unable to cross-reference or verify the information on the Form 990s to the supporting documents provided.

The *Standards for Excellence* states that nonprofits should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. These reports should be prepared at least quarterly, be provided to the Board of Directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.

#### CASH RECEIPTS

A&I confirmed that County grant funds awarded directly to NCI were deposited into NCI's bank accounts. However, as previously discussed, **A&I noted that there were no accounting processes or formal written procedures in place, specific to NCI, to record and account for all deposits/cash receipts.**

The President/CEO of CRW was responsible for securing and depositing all funds received by NCI. During the review of NCI's bank statements and limited financial documents, A&I identified two (2) accounts with different financial institutions that were maintained by the President/CEO of CRW in FY 2016 through FY 2018. We were also advised by CRW that there was a money market account that was used to track NCI's scholarship program, however bank statements for this account were not provided for our review.

A breakdown of the activity of the known accounts for the fiscal years ending in June 2016 through June 2018 are shown in Exhibit 5 on the following page.

<i>Account</i>	<b>Ending Balance as of 6/30/16</b>	<b>Ending Balance as of 6/30/17</b>	<b>Ending Balance as of 6/30/18</b>
<i>SunTrust</i>	\$6,374.09	\$3,165.96	\$2,014.25
<i>PayPal</i>	\$0	\$0	\$0
	<b>\$6,374.09</b>	<b>\$3,165.96</b>	<b>\$2,014.25</b>

(Exhibit 5)

As a result of the incomplete financial information provided, A&I was unable to verify which deposits/revenue sources were earmarked for the National Fatherhood Initiative (NFI).



## **Areas of Concern**

### **Grant Expenditures**

**Many of the expenses incurred related to the County grant funds had no supporting documentation.** All check and invoice copies were not included with the bank statements, and no other related information was provided by NCI for these items, other than a verbal or written explanation provided by the NCI. **Therefore, we were not able to determine how the County grant funds were expended.**

The FY 2017 grant in the amount of \$12,000 was to allow NCI to hold a National Father's Day Cookout and a Dialogue on Fatherhood. The FY 2018 grant in the amount of \$11,000 was awarded to NCI to bring awareness and education through an 11-month public relations campaign.

However, NCI reported the \$12,000 Non-Departmental Grant and \$11,000 Special Appropriations Grant awarded to NCI was used to pay for management and consulting fees. During our review, NCI provided an "Allocation of Expenditures" report for the period, July 1, 2015 through June 30, 2018. **Based on the allocations reported, A&I noted that 83% of National Fatherhood Initiative expenditures were used to pay administrative costs, which was not in accordance with the grant award terms.** (See Exhibit 6 for more detail.) It should be noted that Prince George's County Government grant funds are not to be used to benefit a for-profit entity.

<b><u>Expense Date</u></b>	<b><u>Amount</u></b>	<b><u>Payee</u></b>	<b><u>Purpose</u></b>
1/15/2016	\$1,900	CRW & Associates	-
3/04/2016	\$1,800	CRW & Associates	PG -NFIP – Management Fees
5/17/2016	\$1,000	CRW & Associates	Management Fee – NFIP
6/20/2016	\$530	UPS Store	National Fatherhood Initiative Event
7/15/2016	\$2,000	CRW & Associates	-
8/22/2016	\$1,000	CRW & Associates	August Management Fee
8/30/2016	\$1,125	Contractor A	NFI Photography
9/13/2016	\$1,000	CRW & Associates	September Management Fee
9/24/2016	\$2,000	President/CEO	-
12/15/2016	\$2,000	CRW & Associates	November Management Fees
12/30/2016	\$2,000	CRW & Associates	December Management Fees
3/01/2017	\$2,000	CRW & Associates	February Management Fees
1/23/2018	\$2,800	CRW & Associates	-
5/31/2018	\$845 <sup>1</sup>	CRW & Associates	-
<b>Total Amount</b>	<b><u>\$22,000</u></b>		

(Exhibit 6)

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<sup>1</sup> Refer to Exhibit 4 for the full transaction amount

NCI reported the \$37,600 Community Foundation grant funding was used for Fatherhood Initiative activities. However, A&I was not provided sufficient documentation to determine how that grant funding was used.

County Employee – Potential Conflict of Interest

**During the audit, A&I learned that the current Executive Director, employed by CRW, is now a full-time Prince George’s County employee.** The part-time Executive Director for NCI was to be paid a flat rate of \$2,500 per month by CRW with the option of becoming full-time when additional funding is secured. A&I was unable to verify if the Executive Director was paid by CRW, as we were not provided access to CRW financials.

The Executive Director became a Prince George’s County Government employee on February 5, 2019, but was not employed with the County at the time the County grants were awarded. However, since County employees are permitted to engage in secondary employment if it is not in conflict with their official duties, we requested documentation to verify whether or not his employment with the nonprofit is in conflict with his employment with the County Government.

The Prince George’s County Office of Ethics and Accountability (“OEA”) reported that the employee had not attended required ethics training and had not submitted a secondary employment request to OEA, as of July 2, 2019, to determine if his employment with the nonprofit organization is in conflict with his employment with the County Government.

Per Article X, Sections 1002 through 1004 of the Prince George’s County Charter, Section 16-239 and Section 2-293 of the Prince George’s County Code of Ordinances:

*“No officer or employee of the County, whether elected or appointed, shall in any manner whatsoever be interested in, or receive any benefit from, the profits or emoluments of any contract, job, work, or service for the County. No such officer or employee shall accept any service or thing of value, directly or indirectly, upon more favorable terms than those granted to the public generally, from any person, firm, or corporation having dealings with the County; nor shall he receive, directly or indirectly, any part of any fee, commission, or other compensation paid or payable by the County, or by any person in connection with any dealings with the County, or by any person in connection with any dealings or proceedings before any agency of the County government.” (Section 1002)*

*“An employee may engage in secondary employment that is not in conflict with the performance of the employee’s official duties, and does not pose a conflict of interest.” (Section 16-239)*

*“Participation Prohibitions. Except as permitted by Board regulations or opinion, an official or employee may not participate in: ...2b) Any business entity of which he is an officer, director, trustee, partner, or employee...” (Section 2-293)*

Administrative Procedure 152 applies to all instances when a Prince George's County employee or official is considering working for, or is working with, an entity outside of Prince George's County Government. Administrative Procedure 152 states secondary employment includes paid employment with a for-profit or not-for-profit entity, service on a for-profit or not-for-profit board or commission whether or not compensated.

A&I confirmed that the County employee was still employed as the Executive Director of NCI, as of July 10, 2019.

### Contracts

During the audit, A&I noted there were several contracts involving NCI, CRW & Associates, Inc., a Board Member, and the Executive Director of NCI.

**The first contract, dated October 1, 2015, was between NCI and CRW. The contractual agreement between NCI and CRW detailed NCI's desire to retain the services of CRW for a monthly management fee of \$1,000.** Based on a discussion with NCI representatives, these services include consulting, administrative support, accounting, and marketing the program.

**Although the use of contractors, consultants and, management firms are a part of normal business, the relationship between NCI and CRW cannot be recognized as independent.** The President/CEO of CRW & Associates had free reign to disperse funds and enter into contracts on behalf of NCI, while also serving as a board member of NCI. The President/CEO of CRW verbally reported to A&I that the nonprofit, NCI, was created to receive the grant awards from the Prince George's County Council since CRW & Associates, as a for-profit entity, could not receive the funds. As previously noted, Prince George's County Government grant funds are not to be used to benefit a for-profit entity.

**The second contract, dated October 28, 2015, was between CRW and a Prince George's County Council Member. The contract detailed a \$12,000 annual flat rate in which CRW would provide "project-related direct services including identification and facilitation of contracts with individuals, organizations, agencies, and institutions" to encourage their participation in county activities. CRW would also be responsible for "building the structural framework to finalize the NFI's Community Mobilization Approach™ (CMA) Fatherhood Action Plan and oversee the successful implementation of its core strategies and activities."**

Per Section 10A-103 Prince George's County Code of Ordinances:

*"(a) All rights, powers, duties, and authority relating to the acquisition of supplies, construction, services, printing, and insurance, and the management, control, warehousing, sale, and disposal of supplies now vested in or exercised by any County agency under the several statutes relating thereto, are the responsibility of the Purchasing Agent as provided herein.*

*(d) Except as provided herein or pursuant to authorization by executive order of the County Executive, it shall be unlawful for any County official, elected or appointed, or*

*any employee or person to make, alter, suspend, or terminate any contract or letter contract governed by this Subtitle on behalf of the County other than through the Purchasing Agent; and any such purchase, contract, or letter contract made or changed contrary to the provisions hereof may be declared void by the County.”*

A&I noted the contract between CRW & Associates and the Prince George’s County Council Member was not approved through Prince George’s County’s procurement process. Council Members do not have the authority to enter into contracts on behalf of the Prince George’s County Government.

**The third contract, dated November 1, 2015, was between CRW and Colorblind Marketing Group, a NCI board member’s business.** The contract detailed a \$600 monthly fee for Colorblind Marketing Group to finalize the Fatherhood Action Plan and oversee the successful implementation of its core strategies and activities.

**The fourth contract, dated October 13, 2017, was between CRW and a former board member to be the Executive Director of NCI. The contract detailed a \$2,500 monthly flat rate for the former board member to serve as the part-time Executive Director of NCI, with a provision of transitioning to full-time when additional funding is secured.** The contract also stated that the former board member would serve on an as-needed basis as a Project Manager for CRW (with rates to be agreed on separately).

#### Personnel Compensation

NCI reported there were no personnel on the payroll due to a lack of funding. All personnel were reportedly serving as volunteers for NCI. Although NCI has no personnel, CRW & Associates (“CRW”) does employ and contract with other entities as the contract with NCI allows.

**During the audit, A&I noted that from October 2015 through June 2018, NCI made contractual agreements and subsequent payments to two (2) board members and eight (8) contractors, with annual payments totaling \$600 or more, in exchange for management services rendered.** Monies paid to these individuals and contractors totaled \$70,723.23 for the period reviewed, as shown in Exhibit 7 below.

	2015 <sup>2</sup>	2016	2017	2018 <sup>3</sup>	Total
# of Individuals/Contractors receiving \$600 or more per calendar year	2	7	4	1	14
Annual Payment Total	\$7,100.00	\$39,723.14	\$10,900.09	\$13,000.00	\$70,723.23

(Exhibit 7)

<sup>2</sup> Based on bank statements from July 2015 through December 2015

<sup>3</sup> Based on bank statements from January 2018 through June 2018

According to the IRS, any individual receiving income, for services performed by a non-employee, totaling \$600 or more should be issued a Form 1099-MISC from the organization making payment. **A&I requested a Form 1099-MISC for all individuals for calendar year 2015 through 2018, however A&I was informed by the President/CEO of CRW there were no 1099s issued for that period.**

Furthermore, the *Standards of 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.

#### Legal Compliance

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.” **A&I was unable to locate NiaImani Choices, Inc. as a registered charitable organization in the [Maryland’s Secretary of State’s Charity Database](#).**



### **RECOMMENDATIONS**

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

1. **The Prince George's County Council should ensure that all contracts awarded on behalf of the County Government are made in accordance with the Prince George's County Charter, which states that the County Purchasing Agent is responsible for contracting all public work and services for which payment is to be made out of County funds. Future contracts with the County should be approved through the County's procurement process.**
2. **The Prince George's County Board of Ethics should determine if there is a potential conflict of interest regarding the County employee's position as the Executive Director of Nialmani Choices, Inc.** Additionally, the County employee should complete the required ethics training immediately and submit a secondary employment request to the Office of Ethics & Accountability.
3. **Nialmani Choices, Inc. should ensure that it is in full compliance with all local, state and federal laws** that apply to the organization, including compliance with Internal Revenue Service requirements and Prince George's County grant requirements.
4. **Nialmani Choices, Inc. should ensure that any County Grant or Community Foundation funds that have not yet been expended or any future grant funds received from the County are used solely as designated in the grant application for the benefit of Prince George's County citizens.** The organization should also make efforts to ensure that general/administrative costs are limited to a reasonable percentage (no more than 25%) of total costs.
5. **Nialmani Choices, Inc. should review the contracts the organization is named as a party to and determine if the contracts are appropriate in fact or in appearance to the organization.**
6. **Nialmani Choices should evaluate and strengthen its Board of Directors** to ensure the Board can provide the appropriate oversight of the organization.
  - a. An effective non-profit board should determine the mission of the organization, establish management policies and procedures, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission. The Board should annually approve the organization's budget and the organization should be operated in accordance with this budget.

- b. Determine the appropriate people to sit on the board including those who have some expertise and experience working with the target population and those who have been involved in the community.
  - c. Based on the criteria established above, identify gaps that need to be filled so that the Board can more effectively realize its mission.
  - d. The Board should meet regularly, document all Board meetings in the form of minutes, and ensure a quorum of voting members is present when making major decisions for the organization. The minutes stand as the official record of the Board's actions and should be approved by the Board in a timely manner.
  - e. The *Standards for Excellence* states that when an employee of the organization is a voting member of the board, the board is responsible for ensuring that the employee will not be in a position to exercise undue influence.
7. Nialmani Choices, Inc. should take the necessary steps **to ensure that a sound accounting and internal control system is in place** to properly account for any future funding that it may receive. A strong internal control system includes:
- a. Segregating key financial duties including authorization, custody, record keeping and reconciliation. It is ideal to arrange the work load so that no one person handles more than one type of function.
  - b. Maintaining appropriate documentation to support revenue and expenditure transactions, including but not limited to bank statements, check copies, check registers, signed memoranda of understanding (MOUs), signed employment agreements, signed contract agreements, receipts for travel and entertainment expenses, detailed information regarding individual and corporate donor payments and other funds received. Documentation should be maintained for a period of at least three years after the tax return is filed, in accordance with IRS guidelines.
  - c. Financial Reporting – A non-profit organization 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.



**NIAIMANI CHOICES, INC**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE PERIODS ENDING**  
**JUNE 30, 2016, THROUGH JUNE 30, 2018**  
**(CASH BASIS)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
<b>REVENUES:</b>				
Prince George's County Grant	\$ -	\$ 12,000	\$ 11,000	\$ 23,000
Community Foundation	7,000	27,600	3,000	37,600
Contributions	10,267	665	700	11,632
Paypal	10,613	2,983	3,174	16,770
<b>Total Revenues</b>	<u>\$ 27,880</u>	<u>\$ 43,248</u>	<u>\$ 17,874</u>	<u>\$ 89,002</u>
<b>EXPENDITURES:</b>				
<b><u>Operational</u></b>				
CRW & Associates	\$ 12,200	\$ 12,000	\$ 15,400	\$ 39,600
Other Expenses	727	588	265	1,581
<b><u>Program</u></b>				
National Fatherhood Initiative (NFI)	-	27,991	-	27,991
Other Programs	8,019	5,623	994	14,636
Holiday Events	-	253	2,366	2,620
NCI Formal Launch Event	600	-	-	600
<b>Total Expenditures</b>	<u>\$ 21,546</u>	<u>\$ 46,456</u>	<u>\$ 19,025</u>	<u>\$ 87,027</u>
<b>Excess Revenue Over/(Under) Expenditures</b>	<u><u>\$ 6,334</u></u>	<u><u>\$ (3,208)</u></u>	<u><u>\$ (1,152)</u></u>	<u><u>\$ 1,974</u></u>

Prepared by A&I based on limited financial information provided by NiaImani Choices, Inc.