

PRINCE GEORGE'S TENNIS & EDUCATION FOUNDATION, INC.

GRANT AUDIT
January 2020

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

January 2020

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

PRINCE GEORGE'S TENNIS & EDUCATION FOUNDATION, INC.,

for the period July 1, 2017, through June 30, 2019. 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 Prince George's Tennis & Education Foundation, Inc., that led us to believe that the County grant funds were used for other than their 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 2018 and 2019 Approved Operating Budget.

A handwritten signature in blue ink, appearing to read "D.H. Van Dyke".

David H. Van Dyke, CPA
County Auditor

A handwritten signature in blue ink, appearing to read "Nana K. Boadu".

Nana K. Boadu
Auditor-In-Charge

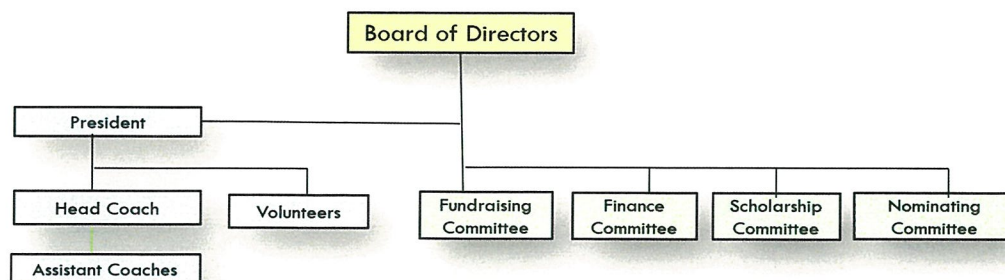
Prince George's Tennis & Education Foundation, Inc.

Prince George's Tennis & Education Foundation, Inc. ("PGTEF") is a registered United States Tennis Association (USTA) Community Tennis Association that provides opportunities for young people to excel academically, athletically and socially through tennis. PGTEF is a 501(c)(3) organization, that develops and delivers programs to enrich the lives of under-served youth in Prince George's County, Maryland.

Founded in 1993, PGTEF develops and delivers academic, athletic, and life skills programs that foster confidence and achievement in the classroom, on the court and in life. The core programs are the Academy, the Junior Outreach Program, the College Preparation and Personal Development Program, and the Player Development Program.

- **The Academy** provides tennis instruction to all levels of players at a moderate cost. Scholarships are provided based on a family's ability to pay.
- **The Junior Outreach Program** is offered free of charge at local elementary and middle schools, community centers and day care centers for at-risk and low-income boys and girls.
- **The College Preparation and Personal Development Program** is a free weekly program that offers SAT preparation, life skills education, college admission assistance, and college scholarships to PGTEF high school students and their parents.
- **The Player Development Program** provides intense training for advanced players to prepare for the highest level of tournament competition.

PGTEF is governed by a Board of Directors who serve without compensation. The Board manages the business of the organization and has the authority to establish and execute any policies to ensure the effective governance and management of the organization. PGTEF is managed by the President/Chief Executive Officer (CEO), and employs three (3) paid coaches and a number of volunteers to achieve its mission. A current overview of PGTEF's organizational structure is shown in Figure 1 below.



(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 nonprofit 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 nonprofit organizations providing programs and services to Prince George's County citizens and communities. County Council grants are awarded through a formal application process.

The Community Partnership Grant is a grant initiative offered by the Office of the County Executive to qualified nonprofit organizations based upon a set of criteria, including the value added to the identified community, overall program costs, organizational stability and adequacy of other funding sources. The Local Development Council offers the Local Impact Grant, which are funds that are a portion of gaming revenue dedicated by law for use primarily in the communities in immediate proximity to MGM National Harbor. These grants are awarded through a formal application process.

The Prince George's County Government, by way of the Prince George's County Council and the Office of the County Executive, awarded PGTEF 13 grants totaling \$89,000 in fiscal years 2018 and 2019. A summary of the grants awarded is as follows:

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
11/9/2017	Non-Departmental	\$20,000
11/9/2017	Special Appropriation	2,500
2/21/2018	Special Appropriation	2,000
3/28/2018	Special Appropriation	1,500
4/9/2018	Special Appropriation	1,500
5/25/2018	Special Appropriation	5,000
7/19/2018	Community Partnership	10,000
12/24/2018	Non-Departmental	20,000
4/17/2019	Special Appropriation	2,500
4/29/2019	Special Appropriation	1,000
5/23/2019	Special Appropriation	2,000
6/17/2019	Local Impact	20,000
7/19/2019	Special Appropriation	1,000
Total Amount Awarded		<u>\$89,000</u>

These grants were awarded to PGTEF to support their core program functions. PGTEF also receives funds from United Way of the National Capital Area, United States Tennis Association (USTA), program fees, through a contract with Maryland-National Capital Park and Planning Commission (M-NCPPC), and through donations.

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 PGTEF'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 2017 through June 2019 (a total of \$89,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Prince George's Tennis & Education Foundation, 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 PGTEF and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990 returns for 2017 and 2018;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

The organization maintains its financial records using QuickBooks and hires an independent Certified Public Accountant (CPA) to perform an annual audit of its financial statements. The organization operates on a January 1 through December 31 calendar year. We noted that the organization is registered with the Maryland Secretary of State's Charity Division, as required by law, and is in compliance through 2017.

We examined the books and records maintained by PGTEF and included 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 Nwabukwu, Limerick & Associates CPAs for the period of December 31, 2018, 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. Our examination also included a review of performance outcomes of the organization. The field work related to the audit was completed on November 4, 2019. **We noted no instances that led us to believe that County grant funds were used for other than their intended purpose.**

However, we did note that the organization has only one (1) written financial policy related to check signing authority. There are no other written financial, administrative, and personnel policies for the organization. Furthermore, our detailed testing of a sample of expenditure transactions identified four (4) instances where checks over \$1,000 had been signed by the President/CEO and there was no indication that the Treasurer approved the disbursement, as required by the organization's policy. Based on our assessment, the written policies of the organization do not address other significant components of the organization's financial management system to ensure the maintenance of accurate records of financial activities and to protect the assets of the organization. We therefore recommend that:

- 1. The President/CEO establish adequate policies and procedures that address significant components of the organization's financial management system (i.e. disbursements, receipt of funds and bank deposits, bank reconciliations, payroll, etc.) and obtain Board approval for all written policies and procedures established and implemented by the organization.**
- 2. The Board of Directors and the President/CEO ensure that written approval is obtained from the Treasurer for all checks written over \$1,000. Additionally, good business practices recommend obtaining two signatures on checks over a certain amount.**

While reviewing documentation for expenditures selected for testing, we also noted several instances where the organization had inadequate documentation. There were two (2) instances where employees were reimbursed for program expenses or telephone/internet expenses and PGTEF did not maintain documentation to support the reimbursement. PGTEF also did not maintain documentation establishing formal employment relationships and authorizing pay rates for its employees. Lastly, there was one (1) instance where the amount paid by PGTEF was more than the amount invoiced. Based on our assessment, the deficiencies mentioned above may have resulted from the informal (unwritten) processes adopted by the organization, as discussed above.

Also, while conducting the audit we noted five (5) instances where pertinent information, such as check numbers, were not documented in the list of uncleared checks identified during the bank reconciliation process. It was also noted in the check register that one (1) journal entry is written every month to record unknown variances identified during the bank reconciliation process (which include payments to American Express) and that old reconciling items are not resolved monthly.

We recommend that:

- 3. The Accountant document pertinent information and explanations for all variances identified in the bank reconciliation process. Additionally, an employee or Board Member independent of the process should also review the reconciliation to verify the accuracy.**
- 4. The reconciliation process should include a review of the organization's credit card transactions to ensure expenses incurred through the credit card account (and subsequently paid through the organization's operating bank account) are properly recorded at the end of the month.**

The attached Statement of Revenues and Expenditures shows the activities of the organization for the periods ending December 31, 2018, and June 30, 2019.

PRINCE GEORGE'S TENNIS & EDUCATION FOUNDATION, INC.
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIODS ENDING
DECEMBER 31, 2018 AND JUNE 30, 2019
(ACCRUAL BASIS)

	CY 2018*	CY 2019 (as of 6/30/19)
REVENUES:		
County Government Grant	\$40,000	\$26,500
Foundation Grant	11,421	1,855
Corporate Grant	300	0
Program Fees	39,692	40,165
Contributions/Donations	26,914	2,659
Interest Income	3	2
Fundraisers	12,535	0
United Way/CFC/Truist	8,588	2,010
Total Revenues	\$139,453	\$73,191
EXPENDITURES:		
General & Administrative	\$21,070	\$6,909
Fundraising	7,286	0
Junior Outreach	0	1,100
High Performance	138	0
College Prep	2,500	0
Player Development	400	0
The Academy	114,109	62,728
Total Expenditures	\$145,503	\$70,737
Excess Revenue Over/(Under) Expenditures	(\$6,050)	\$2,454

*Note: PGTEF received \$22,500 in awards in calendar year 2017 that were included in the scope of the audit but are not included in the Statement of Revenues and Expenditures above since the organization operates on a calendar year.