

Laurel Advocacy and Referral Services, Inc.

GRANT AUDIT
July 2020

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

July 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

LAUREL ADVOCACY & REFERRAL SERVICES, 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 Laurel Advocacy and Referral Services, Inc. (LARS) 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 that appears to read "D.H. Van Dyke".

David H. Van Dyke, CPA
County Auditor

A handwritten signature in blue ink that appears to read "Jude S. Moise".
Jude S. Moise
Auditor-In-Charge

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Laurel Advocacy & Referral Services, Inc.

The Laurel Advocacy and Referral Services, Inc. (LARS) is a 501(c)(3) organization that was incorporated in May of 1988. The mission of the organization is to provide a caring structure of advocacy, support and follow-up for homeless and low-income individuals and families in crisis while assisting them in developing independence. LARS serves as a central point of contact and source of support for Laurel residents facing eviction, food insecurity, and financial crisis.

Presently, the organization offers three (3) main services:

- **Emergency Services:** LARS' Crisis Center provides support for Laurel residents facing crisis due to illness, injury, loss of a loved one, loss of employment, or other hardships. It offers support on a walk-in basis, three (3) days a week to families and individuals in the four (4) Laurel zip codes (20707, 20708, 20723 and 20724). Services include: a food pantry, eviction prevention/rental assistance, utility assistance, clothing and furniture vouchers, referrals for mental health and substance abuse treatment, help with prescriptions including eyeglasses and eye exams, holiday and back to school programs, and financial assistance to obtain birth certificates and IDs. Representatives from other organizations such as the Prince George's County Department of Social Services, SafeLink, and Veteran's Affairs are regularly on-site to assist clients with applications for federal/state programs.
- **Supportive Housing:** LARS' Permanent Supportive Housing Program serves 22- 25 of the most vulnerable chronically homeless and disabled individuals/families in Prince George's County. Participants go from living on the streets, in shelters, cars, or other dangerous conditions to living in their own apartments leased by LARS throughout the Laurel area. Participants live independently with support as needed from LARS, including life skills classes, individual savings accounts, and assistance with obtaining treatment for substance abuse, health or mental health problems.
- **Self-Sufficiency Program:** Through its new Self-Sufficiency Program, LARS is working with motivated households on a longer-term basis to help them improve financial habits and overcome barriers to maintaining stability after rental or other assistance is provided.

The business and affairs of the Corporation is managed under the direction of its Board of Directors. The Board of Directors serve without compensation. The Executive Director, a non-voting Board member, is a paid employee of the organization. The Executive Director shall

perform such tasks as may be assigned to him or her by the Board of Directors and shall coordinate the work of the officers, staff and committees of the organization in furtherance of the organization's charitable purposes. An overview of LARS' organization structure is shown in Figure 1.

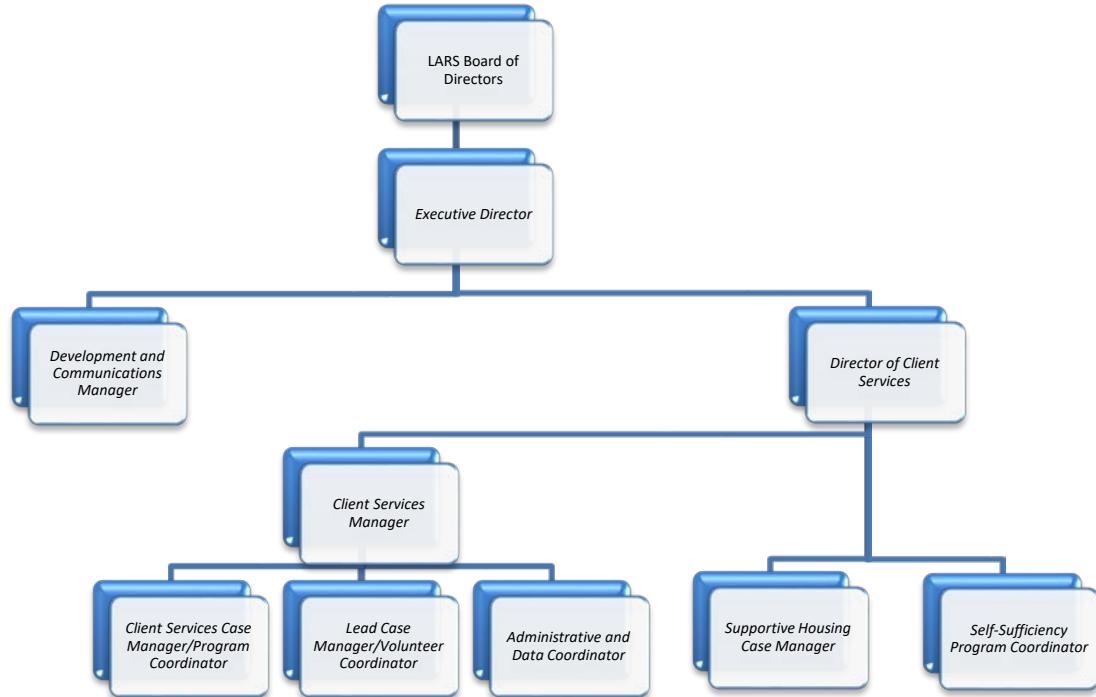


Figure 1

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 Community Partnership Grant is awarded through a formal application process.

The Prince George's County Government, by the way of the Prince George's County Council and the Office of the County Executive awarded Laurel Advocacy & Referral Services, Inc. six (6) grants totaling \$195,000 in fiscal years 2018 and 2019. A summary of the grants awarded is as follows:

<u>Check Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
10/17/2017 - FY18	Non-Departmental	\$75,000
12/04/2017 - FY18	Special Appropriation	1,500
6/30/2018 - FY18	Community Partnership	7,000
11/27/2018 - FY19	Non-Departmental	75,000
6/07/2019 - FY19	Special Appropriation	6,500
6/21/2019 - FY19	Community Partnership	30,000
Total Amount Awarded		<u>\$195,000</u>

These grants were awarded to support Laurel Advocacy & Referral Services, Inc. personnel payroll for its core program functions and rental assistance through LARS' emergency services. LARS also receives measurable funding from the U.S. Department of Housing and Urban Development through its Continuum of Care (COC) grant, in addition to several other organizations.

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 LARS' 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 County grant funds received from July 2017 through June 2019 (a total of \$195,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by the Laurel Advocacy and Referral Services, Inc. and LARS' internal policies;
- The United States General Accountability Office Standards for Internal Control publication (GAO-14-704G);
- 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 Laurel Advocacy & Referral Services, Inc. and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990 returns for 2018 and 2019; and, independent audit reports for 2018 and 2019,
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

Laurel Advocacy & Referral Services, Inc. contracts an accountant to maintain their financial records using QuickBooks and contracts an independent Certified Public Accountant (CPA) to

perform an annual audit of its financial statements and prepare tax documents. The organization operates on a July 1 through June 30 fiscal 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 for fiscal years 2018 and 2019. The law requires organizations to file certain information annually, including a signed copy of their IRS Form 990 and a copy of the independent certified public accountant's financial review or audit (when applicable), for the last completed fiscal year to remain in compliance. Organizations have up to 11 months after the end of their fiscal year to file the required information with the Maryland Secretary of State's Charity Division.

The Office of Audits and Investigations (A&I) examined the books and records maintained by LARS and performed 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 Hertzbach & Company, P.A., CPAs and Consultants for the periods ending June 30, 2018 and 2019, 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, upon reviewing rental assistance payments, **we noted that a standard payment request form that includes the preparer's name/signature and an approval signature to support the payments was not maintained.** *The Executive Director did provide A&I with a list of the rental assistance payments that are due for payments with her initials, indicating her approval.*

Also, upon review of the list of Board members in place during the audit period, we noted one Board Member that could have presented a potential conflict of interest if they continued to serve on the Board. A&I reviewed the Board minutes and noted mention of that Board Member leaving, **however we noted that LARS did not keep formal documentation for the resignation of the Board Member, as required by the organization's signed By-Laws.**

We recommend that a payment request form with the preparer's signature and an approval signature be prepared for all disbursement of funds and be maintained as documentation to support the expenditure.

We also recommend that all departing Board members adhere to LARS' By-laws and submit a written letter of resignation upon their departure. A copy of the letter should be maintained by LARS administration.

LAUREL ADVOCACY & REFERRAL SERVICES, INC.,
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIODS ENDING
June 30, 2018 and June 30, 2019
(ACCRUAL BASIS)

	<u>FY 2018</u>	<u>FY 2019</u>
REVENUES:		
Grants	\$701,532	\$761,806
Contributions	273,113	286,466
Special events	84,833	88,741
Client co-payments	19,877	22,692
In-Kind Contributions	228,266	196,602
Other income	4,374	1,897
Interest income	2,692	5,983
Total Revenues	<u>\$1,314,687</u>	<u>\$1,364,187</u>
EXPENDITURES:		
Program Services	\$1,076,400	\$1,093,028
General And Administrative	101,164	138,123
Fundraising	82,423	92,105
Total Expenditures	<u>\$1,259,987</u>	<u>\$1,323,256</u>
Excess Revenue Over/(Under) Expenditures	<u>\$54,700</u>	<u>\$40,931</u>

Note: LARS received \$83,500 in FY 2018 and \$111,500 in FY 2019, please see pg. #4 of the report for a breakdown.