



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

October 13, 2021

M E M O R A N D U M

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

FROM: David H. Van Dyke
County Auditor

RE: Final Grant Audit Report for Bowie State University Foundation, Inc.

Transmitted herewith is the report referenced above. I suggest that 5 copies be transmitted to Chief Administrative Officer, Tara H. Jackson. I also suggest that 21 copies be forwarded to the Prince George's County Memorial Library System for distribution to each branch library. Eleven copies should be distributed to the Council Members and 2 copies for your records.

Please let me know when this report has been released to the Council.

Thank you.

Attachment(s)

BOWIE STATE UNIVERSITY FOUNDATION, INC.

GRANT AUDIT
October 2021

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

October 2021

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 (A&I) 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

BOWIE STATE UNIVERSITY 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 Bowie State University 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 through 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 "Jisun Ahn".
Jisun Ahn
Auditor-In-Charge

**14741 Governor Oden Bowie Drive, Upper Marlboro, Maryland 20772
VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167**

Bowie State University Foundation, Inc.

The Bowie State University Foundation, Inc. (“BSUF” or “the Foundation”) is a 501(c)(3) nonprofit organization incorporated in the State of Maryland. The Foundation was formed to foster and promote the growth, progress and general welfare of Bowie State University and to receive and administer gifts and donations for such purposes.

Bowie State University (“BSU”) is a comprehensive public institution of the University System of Maryland (“USM”) and operates under the jurisdiction of the System’s Board of Regents. BSU is a regional university that provides a broad range of undergraduate and selected professionally oriented graduate programs, including doctoral level programs in educational leadership and computer science.

The Foundation exists solely for the purpose of securing and administering private funds in support of academic programs, student scholarships, faculty development, public service initiatives, and other priorities of Bowie State University (“BSU”). Gifts of cash, securities, and other property are given to the Foundation absolutely or in a trust by individuals, corporations and philanthropic foundations solely for the benefit of BSU.

The Foundation is a separately chartered organization affiliated with BSU. Although the principal office of the Foundation is on the campus of Bowie State University, the activities of the Foundation are separate and distinct from those of the University. A&I noted that the organization maintains separate accounting records, files a separate tax return (IRS Form 990) and has an independent audit of its financial statements performed.

The Foundation is governed by a Board of Directors. The Board consists of eleven elected members and three (3) ex-officio members. The ex-officio members include the President of the University, the Vice President for Administration and Finance and the President of the National Alumni Association. All elected and ex-officio members of the Board, with the exception of the President of the University, have equal authority to vote on all matters that come before the Board. A current overview of the Foundation’s organizational structure is shown in Figure 1.

The County Council and County Executive

Page 3

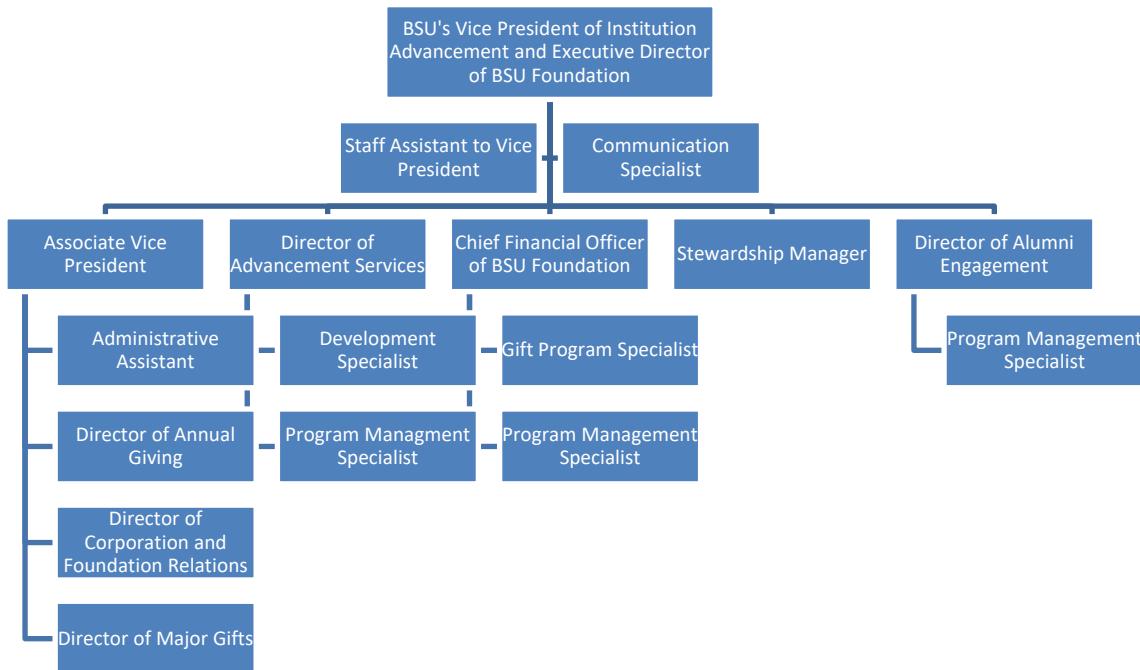


Figure 1

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 Prince George's County Government, by the way of the Prince George's County Council, awarded the Foundation six (6) grants totaling \$251,000 in fiscal years 2018 and 2019. A summary of the grants awarded is as follows:

<u>Date of Award</u>	<u>Grant Type</u>	<u>Grant Amount</u>	<u>Purpose of Grant</u>
1/10/2018	Non-Departmental Exhibit 2	\$100,000	Scholarships
3/30/2018	Council District 4	\$3,500	Programming
4/13/2018	Council District 7	\$2,500	Programming
4/27/2018	Council District 5	\$5,000	Programming
7/22/2019	Non-Departmental	\$100,000	Scholarships
7/22/2019	Non-Departmental Exhibit 2	\$40,000	Scholarships
Total Amount Awarded		<u>\$251,000</u>	

These grants were awarded to provide scholarship funds to cover tuition and fees for new first time and returning Bowie State University students and to support programming held at Bowie State University.

In addition to the above grants, the Foundation received a grant totaling \$5,000 from the Prince George's County Council, through the Prince George's Community Foundation. The grant was awarded April 20, 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 the Foundation'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 \$256,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by the Foundation;
- 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 the Foundation 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;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

The Foundation uses Blackbaud Financial Edge to maintain their financial records and contracts an independent Certified Public Accountant (CPA) to perform an annual audit of its financial statements and prepare tax documents. The Foundation operates on a July 1 through June 30 fiscal year.

A&I 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 year 2020. 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.

A&I examined the books and records maintained by the Foundation and performed tests of the accounting records and other auditing procedures, as deemed 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 SB & Company, LLC. for the period of June 30, 2018 and June 30, 2019, and no discrepancies or irregularities were disclosed.

Bowie State University scholarships are awards that are funded through a variety of sources and are issued to students that meet the requirements specified by the donors or the institution. The scholarships represent actual money that is used to help cover the cost of a student's education.

During the audit, A&I noted that the Foundation did not separately track the County grant funds that were disbursed for scholarships awarded in FY 2018 and FY 2019. The Foundation reported that the County grant funds were included within the Foundation's General Scholarship Fund and were not tracked separately. **As a result, A&I was unable to determine if the County grants, which were intended to provide scholarship funds to cover tuition and fees for students, were awarded solely for the benefit of Prince George's County citizens, as required by CB-55-2017 and CB-23-2018 which adopted the expense budget, the capital improvement program, and the capital budget prepared according to the Charter of Prince George's County and submitted by the County Executive to the County Council.**

Accordingly, A&I conducted alternative audit procedures to determine the total General Scholarship funds awarded to BSU students with a Prince George's County address. A&I determined that in FY 2018 and FY 2019, a total of \$157,578 in General Scholarships (66% of the County grants awarded) were awarded to BSU students with addresses located within the County, as shown in Table 1.

	<u>Total PGC Grants</u>	<u>Awarded to County Students</u>	<u>Awarded to Non-County Students</u>
FY 2018	\$100,000	\$81,577	\$18,423
FY 2019	<u>140,000</u>	<u>76,001</u>	<u>63,999</u>
Total	\$240,000	\$157,578	\$82,422

Table 1

Even though the grant funds were included within the General Scholarship Fund, per the terms and conditions of the Non-Departmental Grant application, the Foundation had a responsibility to ensure grant expenditures were properly documented, properly accounted for, and were used to benefit County residents. **A&I therefore recommends that:**

1. **The Foundation establish a method to separately account for grants awarded by the Prince George's County Government in order to accurately document the number of scholarships awarded, the amounts awarded, and other related information.**

(Note: The Foundation reported that they launched a new process in FY 2020 to specifically identify students who were awarded scholarships funded by grants received

from the Prince George's County Government. A review of this new process was outside the scope of this audit.)

2. **The Foundation, in partnership with Bowie State University, ensure that County Grant 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.**

Since the scholarship funds were distributed by Bowie State University, consideration was also given to the fact that the scholarship and financial aid records of BSU were reviewed and included in the scope of the fiscal compliance audit conducted by State of Maryland's Office of Legislative Audits ("OLA") for the period of August 29, 2016 through April 30, 2020. The audit report, published May 2021, disclosed that BSU **had not established comprehensive controls over certain financial aid awards and adjustments to student accounts**, and that BSU lacked sufficient procedures related to elements of the student refund process, including the safeguarding of sensitive student information. **A&I therefore recommends that:**

3. **The Foundation, in partnership with Bowie State University, implement the recommendations made by OLA, as it relates to internal controls over financial aid awards funded by the Prince George's County Government grant funds.**

Due to the lack of specific criteria related to the awarding of scholarship made with County Government funds mentioned in this report, **A&I recommends that:**

4. **The Prince George's County Council clearly define the scholarship criteria to ensure that the maximum number of Prince George's County residents will benefit from County Government grant funding designated for scholarship awards made to students attending Bowie State University.**
5. **A follow-up audit be conducted within three (3) fiscal years, to determine whether the recommendations made in this report have been implemented.**

The attached Statement of Activities for the periods ending June 30, 2018, and June 30, 2019, shows the financial activities of the organization for the period in which the grant funds were received.

Schedule 1

BOWIE STATE UNIVERSTIY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
JUNE 30, 2018 AND JUNE 30, 2019
(ACCRUAL BASIS)

	<u>2018</u>	<u>2019</u>
REVENUES:		
Contributions	\$1,023,030	\$1,513,768
Prince George's County Government	111,000	140,000
Investment income, net	593,567	478,919
Special events	123,096	68,680
Other revenue	<u>139,569</u>	<u>234,938</u>
Total Revenues	<u>\$1,990,262</u>	<u>\$2,436,305</u>
EXPENDITURES:		
Program services	\$836,181	\$755,927
Scholarships*	100,000	140,000
Art Programming*	11,000	-
Management and general	763,686	132,930
Fundraising	<u>161,074</u>	<u>171,715</u>
Total Expenditures	<u>\$1,871,941</u>	<u>\$1,200,572</u>
Excess Revenue Over/(Under) Expenditures	<u>\$118,321</u>	<u>\$1,235,733</u>

*Expenditures funded by Prince George's County Government grant funding.