

**COMMUNITY FORKLIFT**

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**GRANT AUDIT  
September 2021**

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



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

September 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

### **COMMUNITY FORKLIFT,**

for the period July 1, 2018, through June 30, 2020. 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 grants to Community Forklift, 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 2019 and 2020 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 black ink, appearing to read "Nana K. Boadu".

Nana K. Boadu, CPA  
Auditor-In-Charge

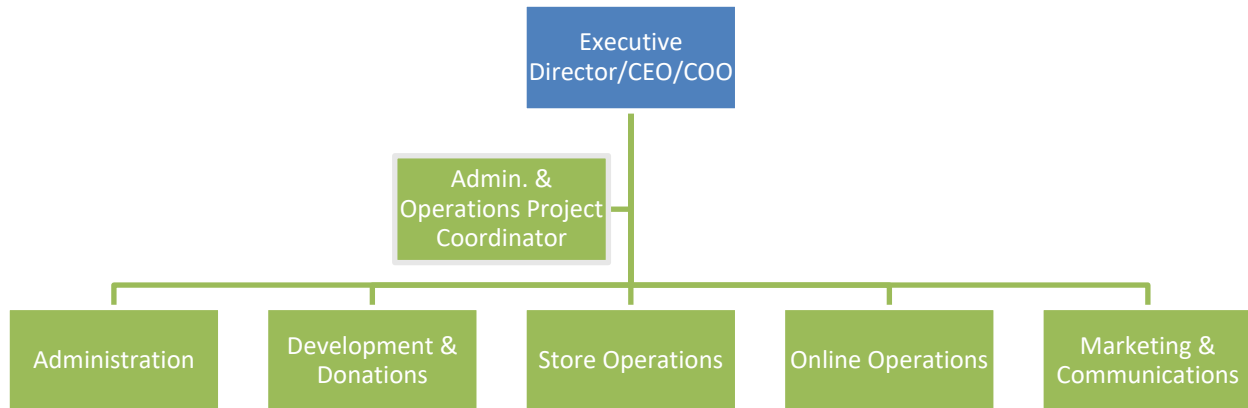
### **Community Forklift**

Community Forklift is a nonprofit reuse center for home improvement supplies. The organization collects donations of unwanted and salvaged building materials throughout the metro DC region, makes the building materials available to the public at low cost, and provides vintage materials for restoring old homes. They also offer public education about reuse and distribute free supplies to local nonprofits and neighbors in need.

The services provided by Community Forklift include:

- Home Essentials Program – provides home repair supplies and other household essentials free-of-cost to families and individuals with low incomes.
- Community Building Blocks Program – provides mini-grants of store credit to nonprofits, schools, and volunteer groups who need building materials for projects that serve the greater community.
- Reuse Incubator for a Sustainable Environment (RISE) – creates small business partnerships to attract, mentor and support small green and reuse businesses. They also regularly meet and advise other small businesses who are interested in locating green businesses nearby.
- Educational Tours – Community Forklift is an internationally-known reuse center that offers a green business model promoting sustainable development. The team has hosted everyone from preschoolers and scout groups to grad students and Department of State visitors to teach groups of all ages about topics such as social entrepreneurship, waste reduction, and the reuse movement.
- Special Events at the Forklift – hosts family-friendly parties & festivals throughout the year.
- Free Workshops – In addition to community festivals, DIY reuse & renovation workshops are also offered throughout the year.
- Festivals and Events around the region – Community Forklift’s outreach team attends community festivals or events to support its efforts and educate the community about reuse.
- Volunteer Program – Opportunities for individuals and groups include organizing and cleaning donations, helping to design or rearrange sections of the store, assisting with community events, and more. Special projects or more skilled tasks can also be arranged.
- Internship Program – Community Forklift offers internships every spring, summer, and fall. Interns learn about green business and gain work experience in the industry of reuse and sustainability.

Community Forklift is governed by a Board of Directors who serve without compensation. The Executive Director/Chief Executive Officer/Chief Operating Officer (“Executive Director”) is hired by the Board of Directors and is responsible for managing the day-to-day operations of the organization. The organization has 39 full-time and 10 part-time employees that make up the workforce. An overview of Community Forklift’s 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 way of the Prince George’s County Council and the Office of the County Executive, awarded Community Forklift 12 grants totaling \$313,833 in fiscal years 2019 and 2020. A summary of the grants awarded is provided on the following page.

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
7/16/2018	Community Partnership	\$20,000
1/3/2019	Non-Departmental	30,000
1/22/2019	Special Appropriation	5,000
2/5/2019	Special Appropriation	1,500
5/1/2019	Special Appropriation	2,500
5/23/2019	Special Appropriation	500
7/8/2019	Community Partnership	95,000
7/19/2019	Special Appropriation	1,833
4/9/2020	Non-Departmental	75,000
4/24/2020	Special Appropriation	5,000
4/24/2020	Special Appropriation	2,500
6/9/2020	Community Partnership	75,000
<b>Total Amount Awarded</b>		<b><u>\$313,833</u></b>

The organization reported that FY 2019 Community Partnership grant was used for the “Capacity Building for Sustainable Income Project” to raise revenues in the short term and create the infrastructure for increased funding in the future. The FY 2020 Community Partnership grant was used for the “Building Capacity through Development Infrastructure and Outreach” proposal. The funds implement phase two of the development and revenue infrastructure plan by focusing on planning, systems, management and recordkeeping. Grant funds were also used to strengthen the education and outreach programming. The Special Appropriation grants were used for expenses related to increasing donorship to its Home Essentials Program to distribute free building materials, appliances, and furniture to low-income residents of the respective districts. Non-Departmental Grants were used for general operations, specifically to improve its IT systems and to support organizational infrastructure.

Community Forklift also receives in-kind donations, contributions, and revenue from sales. Sales accounted for 85% of the organization’s total revenue in CY 2018 (June - December), 82% of revenue in CY 2019, and 77% in CY 2020 (January - June).

### **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 Community Forklift’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 2018 through June 2020 (a total of \$313,833).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by Community Forklift;
- The organization's accounting policy and procedure manual;
- 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 Community Forklift 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 organization maintains its financial records using QuickBooks. The organization operates on a January 1 through December 31 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 through 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.

We examined the books and records maintained by Community Forklift and included tests of the accounting records and other auditing procedures, as we determined necessary. 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, A&I noted several areas for improvement.

Based on our review of the bank reconciliations performed by Community Forklift we noted several areas of concern. First, we noted that bookkeeping and reconciliation functions are not properly segregated. A&I noted that bank reconciliations were performed by the Director of Administration. The Director of Administration also issues the checks after they have been approved and is also responsible for maintaining the general ledger. Lack of segregation of duties increases the likelihood of fraud, misuse, and misappropriation of County Government resources.

We also noted the book balances in the monthly bank reconciliations performed by Community Forklift do not agree with the book balances shown in the general ledger provided to A&I during the audit. The variances noted between the ending balances (a total of \$54,208 for the 8 months

tested) were a result of a number of improper accounting practices performed by the Director of Administration such as deleting transactions from QuickBooks if they do not clear, editing balances, and failing to properly record cash transactions made to replace checks that do not clear. Incorrect bank reconciliations increase the likelihood of fraud, waste, and abuse of government resources. Bank reconciliations are an important process designed to uncover any old outstanding checks or deposits that need to be researched. It is a crucial tool to help monitor the organization's cash flow, as accounting records may not be up to date if monthly reconciliations are not performed, and reconciling differences are not resolved in a timely manner.

Additionally, according to Community Forklift's fiscal policies, the Executive Director and the Board should review and approve the reconciliations after they are completed. However, during our audit we noted that evidence of review and approval of the reconciliations was not provided. We therefore recommend that:

- 1. The Executive Director, along with the Board, establish policies and procedures to ensure that key financial responsibilities are properly segregated, where practical.**
- 2. The Executive Director, along with the Board, ensure proper accounting procedures are followed, which includes voiding transactions that do not clear the bank rather than deleting them from QuickBooks, making adjusting or correcting entries rather than editing original entries, and properly recording cash transactions made to replace checks that do not clear the bank.**
- 3. The Executive Director, as well as the Chair and Treasurer of the Board, verify the reconciliation of the bank accounts as required in the organization's financial policies, and maintain documentation of the reconciliation and review, as indicated with the preparer's signature and approval signatures.**

While reviewing documentation for 29 expenditures selected for testing, we also noted several instances where expenditures were not adequately supported or were not approved. There was one (1) instance out of 29 (3%) where complete documentation/receipt was not provided to support the full amount of the transaction, which totaled \$3,208. Lack of documentation to support the operations of the organization decreases the reliability of financial statements. There were also 10 instances out of the 29 transactions tested (34%) that did not have the proper approval. The total amount of the exceptions noted was \$13,934. Lack of an adequate approval process increases the likelihood of fraud, misuse, and misappropriation of County Government resources. Based on our assessment, the deficiencies mentioned above may have resulted from the organization not following its written procedures. We recommend that:

- 4. The organization follow its written policies and procedures as it relates to cash disbursement, purchasing, and the documentation and retention of support for all grant funds received and/or dispersed by the organization.**

**5. A purchase 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.**

Also, while conducting the audit we noted that the organization did not have an audit or review performed by a Certified Public Accountant (CPA). The Standards for Excellence states that *"for nonprofits with annual revenue in excess of \$500,000, the annual financial statements should be subject to audit by a Certified Public Accountant. The board should hire the auditor. The full board should approve the audited financial statements and receive a copy of the management letter (if any). The board should monitor the implementation of the recommendations of the management letter, if applicable"*. Additionally, audited financial statements help management evaluate internal control systems and provide potential donors assurance that the charitable nonprofit's financial practices meet accepted standards.

*Note: The organization reported that it had a financial review performed for FY 2019 and the independent accountant's report was issued May 27, 2021. As stated in the independent accountant's report, "a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole".*

We recommend that:

**6. The organization have a financial statement audit performed by an independent Certified Public Accountant in good standing. The Board should hire the auditor, should approve the audited financial statements, and should receive a copy of the management letter (if any). Additionally, the Board should monitor the implementation of any audit recommendations made. The organization should also review the grant application process to ensure that it is being properly followed.**

Community Forklift operates and reports on a calendar year, however our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Activities, is presented on a calendar year consistent with Community Forklift's operations. The attached Statement of Activities shows the financial activities of the organization for the periods ending December 31, 2018, December 31, 2019, and June 30, 2020.



**COMMUNITY FORKLIFT  
STATEMENT OF ACTIVITIES  
FOR THE PERIODS ENDING  
DECEMBER 31, 2018, DECEMBER 31, 2019, AND JUNE 30, 2020  
(ACCRUAL BASIS)**

	<b>CY 2018 (7/1/18 - 12/31/18)</b>	<b>CY 2019</b>	<b>CY 2020 (1/1/20 - 6/30/20)</b>
<b>REVENUES:</b>			
Contributions Income	\$6,953	\$15,201	\$113,182
In-Kind Donations	38,200	66,849	-
Grants Income*	100,031	284,333	155,000
Fund Raising Event Income	-	16,570	1,107
Workshop/Event Income	191	60	20
Vending Machine Income	1,793	2,894	387
Service Income	208	657	111
Sales	920,770	1,911,478	942,790
Miscellaneous	15,178	25,522	6,308
<b>Total Revenues</b>	<b>\$1,083,324</b>	<b>\$2,323,564</b>	<b>\$1,218,904</b>
<b>EXPENDITURES:</b>			
Cost of Goods Sold	\$26,611	\$69,922	\$36,100
Payroll	640,613	1,256,120	539,673
Payroll Benefits	73,066	165,838	73,615
Professional Services	30,453	73,040	38,628
Consignment Sale Payment	33,689	52,729	19,148
Building Fund Expenses	-	-	38
Administrative Expenses	25,418	53,710	25,609
Equipment	5,545	12,846	6,264
Forklift Expense	240	1,293	703
Insurance	13,761	36,427	21,244
Interest Expense	8,441	15,278	3,440
Education, Outreach & Marketing	4,468	9,091	2,020
Material Donations Expense	38,838	69,339	464
Rent	47,189	94,377	47,189
Repair and Maintenance	21,202	40,953	21,799
Supplies	21,010	35,291	19,594
Taxes	-	1,259	504
Transportation Expenses	2,753	312	349
Travel, Meals & Entertainment	3,046	1,833	267
Utilities	17,007	32,659	16,409
Vehicle Expense	28,245	52,203	14,165
Reconciliation Discrepancies	-	(4)	(5)
<b>Total Expenditures</b>	<b>\$1,041,596</b>	<b>\$2,074,517</b>	<b>\$887,217</b>
<b>Excess Revenue Over/(Under) Expenditures</b>	<b>\$41,729</b>	<b>\$249,048</b>	<b>\$331,688</b>

\*Note: Community Forklift received \$20,000 in County grant awards in CY 2018, \$136,333 in CY 2019, and \$157,500 in CY 2020.