

White Rose Foundation, Inc.

GRANT AUDIT
March 2022

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

March 2022

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 the

White Rose Foundation, Inc.,

for the period July 1, 2017, 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 grant to the **White Rose Foundation, Inc.** that led us to believe that the County grant funds were used inappropriately. However, we did note deficiencies in certain areas and have made recommendations for improvement in the report.

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, 2019, and 2020 Approved Operating Budget.



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



Deneen D. Mackall, CFE
Senior Auditor

Wayne K. Curry Administration Building | 1301 McCormick Drive | Largo, MD 20774
VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167

White Rose Foundation, Inc.

White Rose Foundation, Inc. of Prince George's County, Maryland (WRF) was chartered as a nonprofit 501(c)(3) organization in the State of Maryland on December 21, 2005. The foundation is organized by a group of women who are passionately committed to using their extensive professional skills and experiences to serve their community. The purpose of WRF is to promote health, educational, scientific, cultural and charitable endeavors which improve the educational, health, economic, and general welfare of the residents of Prince George's County, Maryland. WRF is also the charitable arm of the Prince George's County (MD) Chapter of The Links, Incorporated (The Links).

The address of the principal office of WRF is 12138 Central Avenue, Suite 551, Mitchellville, Maryland 20721. WRF reported that it mainly relies on volunteers to carry out its mission and does not utilize any staff other than one (1) independent contractor, Karen Ashby, who provides project management services for the acquisition and development of the WRF Service Center as well as other administrative services as needed. The contract term is for one (1) year.

The Prince George's County Government awarded WRF three (3) grants totaling \$55,000 in fiscal years 2018-2020. These awards were issued from January 2018 through May of 2020. The organization also received sponsorships from several County Councilmembers. A summary of the funds paid (\$61,600) are as follows:

Disbursement Date	Grant Type*	Amount
1/25/2018	FY 18 Non-Departmental Grant	\$ 25,000
12/11/2018	FY19 Non-Departmental Grant	20,000
05/12/2020	FY20 Non-Departmental Grant	10,000
03/13/19	Sponsorship (D8 Budget)	5,000
03/26/19	Sponsorship (D5 Budget)	400
03/27/19	Sponsorship (D2 Budget)	200
04/04/19	Sponsorship (CM Franklin Budget)	1,000
Total Awarded		\$ 61,600

WRF's fiscal year commences on July 1 and ends on June 30. The organization has written policies and procedures in place that clearly define the accounting process and that assign responsibility for each accounting function within the organization.

The organization is governed by a Board of Directors, who serve without compensation. Each fiscal year, the Board shall hold at least three (3) regular meetings. The annual meeting of the WRF is held each year in June. The Recording/Correspondence Secretary keeps the official minutes of the Board Meetings. A draft of the minutes is provided to each Board Member at the next meeting for review and adoption.

The Financial Secretary receives all revenues of the WRF and keeps an accurate and complete record of the financial proceedings and business transactions at all Board Meetings. Proceeds are turned over to the Treasurer for all deposits. The Treasurer deposits all funds in a bank in the

The County Council and County Executive

Page 3

name of WRF and prepares a complete financial report after the close of the fiscal year showing all receipts and disbursements by budget category. The Treasurer prepares the books and records available for audit. All checks are signed by the President and Treasurer (or the Vice-President in their absence).

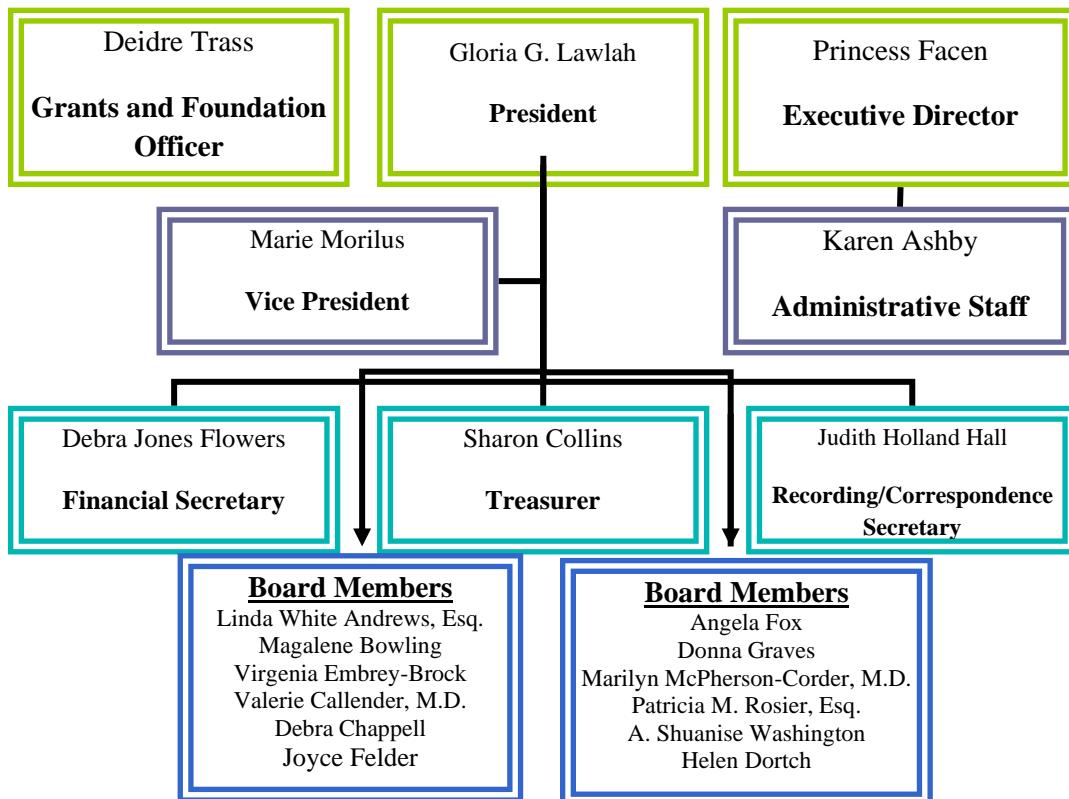
The Board of Directors file an annual IRS Form 990 and have financial audits conducted by outside firms. WRF reported that its fiscal years 2018 and 2019 (July 1 through June 30) financial statements were audited by an independent tax consultant and advisory firm, MMullen & Associates, PA, LLC. It should be noted that the independent auditor hired to perform the financial statement audits was not licensed to practice as a Certified Public Accountant (CPA) in the State of Maryland.

WRF reported that it manages large sums of money on behalf of the Prince George's County (MD) Chapter of The Links, Incorporated and other organizations. They have numerous checks and balances in place with the President, Vice President, Treasurer, and Financial Secretary each having a role in ensuring the WRF's funds are secure. In discussions with WRF it reports that it maintains an accounting system that ensures funds contributed to support programs of its partner organization are not combined with other funds received.

A current overview of WRF's organizational structure is shown in **Figure I** as follows:

Figure I

2020 Board of Directors



WRF provided the following programs during FY 2018 through FY 2020:

<u>Program Name</u>	<u>Program Description</u>
The Green Table Talk Initiative	A community-wide symposium focused on the increasing cases of Alzheimer's and other forms of dementia.
Telepharmacy Demonstration Project	Serves seniors at the newly built Belnor Senior Residency Facility in Suitland, Maryland. Program connects seniors to licensed clinical pharmacists via telehealth model for non-emergency medication information.
Healthy Families	Program focuses on working with students, their families and the Drew-Freeman Middle School to build healthy lifestyle choices that can impact obesity levels among middle school students.
Education Initiatives	Provide funding and resources for initiatives to increase literacy skills for middle school students in Prince George's County public schools.
White Rose Foundation Service Center	Through its partnership with Mission First Housing Group and the L.A. Bolden Company the foundation will establish the White Rose Foundation Service Center, a 137- unit senior residential building in the "Town Square at Suitland Federal Center." The Center will house WRF, The Prince George's County (MD) Chapter of the Links and their joint programs and projects.

The organization reported that the FY 2019 Non-Department Grant funds were to be utilized for expenses related to implementing the Telepharmacy Demonstration Project for Seniors at the Belnor Senior Facility.

Additionally, the organization reported that the FY 2020 Non-Departmental Grant funds were to be utilized to support the Healthy Families program. These activities are designed to prevent or reduce obesity – Learn the Facts, Eat Healthy, and Get Active, and were to be utilized as shown on the following page.

Program Expenditures	Amount
Insurance, Benefits, Other Related Taxes	\$ 2,500
Equipment	1,000
Printing/Copy	500
Telephone/Internet	2,500
Postage	500
Other	7,000
Total	\$14,000

The organization reported that the Healthy Families program originally scheduled to be hosted at the Drew-Freeman Middle School was moved from a physical in-person program to a virtual setting for each student, due to the COVID-19 pandemic. As such, the Non-Departmental Grant funds were to be repurposed for purchasing backpacks and other materials for the students.

M-NCPPC Project Charges

WRF has an agreement with the Maryland-National Park and Planning Commission to provide programming for youth to promote a healthy lifestyle. In the program students were instructed on various methods of physical fitness, nutrition, and education on preventing obesity. Payments for services are made on a reimbursable basis (after the completion of services, with the submission of appropriate documentation such as invoices, financial reports for expenses, and narrative reports describing the scope of services provided).

A history of the project charges paid to WRF, to date, is provided below.

Fiscal Year	Paid Amount
2014	\$ 7,579
2015	9,678
2016	4,081
2017	10,000
2018	-
2019	10,000
2020	9,639
2021	10,000
Total	\$ 60,977

The scope included all transactions related to the receipt and disbursement of the total funds received from the County for FY 2018, FY 2019, and FY 2020 (July 1, 2017 through June 30, 2020), totaling \$61,600.

The criteria used to evaluate the audit evidence gathered included:

- Grant applications submitted by the White Rose 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.

The audit included interviews with key personnel of the White Rose Foundation, Inc., and detailed tests to include:

- Examination of the organization's monthly bank statements;
- Review of reconciliation processes;
- Review of the organization's Federal Form 990 returns for 2018 and 2019;
- Review of available cash receipts and disbursement documentation;
- Review of available minutes for meetings held by the Board of Directors; and
- Interviews with key personnel from the White Rose Foundation.

A&I examined the books and records maintained by WRF 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. Although grant funds were not used as outlined in the grant applications, A&I noted that funds were used to support other programs provided by White Rose Foundation. Furthermore, we identified several areas for improvement, as discussed in this report.

FINDINGS, COMMENTS, AND RECOMMENDATIONS

INTERNAL CONTROLS AND THE CONTROL ENVIRONMENT

An organization's control environment should establish the overall tone, awareness, and actions of the board of Executive 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.

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.

FINDING 1: Grant Funds Not Used as Intended in the Grant Application

A&I requested documents from the organization to support how the FY 2019 and FY 2020 Non-Departmental grants awarded to the organization were expended. Upon review of the supporting documentation provided by the organization, we noted that the funds were not used as specified in organization's grant application.

The FY 2019 Non-Departmental Grant funds, totaling \$20,000, were to be utilized for the Telepharmacy Demonstration Project for Seniors. However, we noted that the total grant was disbursed to the Prince George's County (MD) Chapter of The Links, Incorporated, a 501(c)(4) nonprofit organization, as a "grant" to "carry out programs and activities that will address critical issues affecting youth in underserved areas of the County". **The organization did not receive approval from the County Council Grant Team to modify or redirect the grant funds for some use/purpose, other than what was reflected in the grant application.**

The FY 2020 Non-Departmental Grant funds in the amount of \$10,000 were to be utilized to support the Healthy Families program. The organization reported the funds were utilized to purchase bookbags and other materials in support of this program, in place of the in-person programming originally planned (prior to the pandemic). However, the organization only provided receipts/invoices totaling \$3,036. We also noted that the same receipt/invoice was submitted to the Maryland-National Capital Park and Planning Commission (M-NCPPC) for reimbursement of expenditures related to the Healthy Families program. The organization did not provide additional documentation to support its purchases.

Discussions with the organization revealed that the Non-Departmental grant was used to fund the Healthy Families program and that the organization was subsequently reimbursed for those expenses by M-NCPPC. **Consequently, the organization reported that the FY 2020 Non-Departmental grant funds remain unspent and are available for future programs.**

Documentation is a necessary part of an effective internal control system. The GAO standard states that "documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system." Adequate documentation to support expenditures incurred by the organization includes proof of payment, itemized receipts, invoices, documented business purpose, etc. Note that a combination of supporting documents may be needed to substantiate the business expense.

Inadequate documentation to support transactions may increase the risk that fraud waste and/or abuse may occur.

FINDING 2: Potential Conflict of Interest

Upon inquires with Gloria Lawlah, President of the White Rose Foundation, Inc., a 501(c)(3), A&I was informed of the Foundation's affiliation with a local chapter - Prince George's County (MD) Chapter of The Links, Incorporated, a 501(c)(4) nonprofit organization. WRF provides funding to the Prince George's County (MD) Chapter of The Links, Incorporated to support programs and services provided to County residents.

After reviewing WRF's organizational chart A&I noted that the following WRF Board members also serve as Board members for the Prince George's County Maryland Chapter of The Links, Inc. See details of related board positions in summary chart below.

White Rose Foundation, Inc.		Prince George's County Chapter of The Links, Inc.	
<u>Board Member</u>	<u>Position</u>	<u>Board Member</u>	<u>Position</u>
Donna Graves	Board Member	Donna Graves	President
Judith Holland	Secretary	Judith Holland	Secretary
Marie Morilus	Vice President	Marie Morilus	Parliamentarian
Deidre Trass	Grants & Foundations Officer	Deidre Trass	Financial Secretary

As stated in the Standards of Excellence "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."

The Board is the first line of defense against fraud and abuse. A conflict of interest arises within the Board whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. As such, these instances can impair objective decision making.

In addition, it may result in public misunderstanding and loss of public confidence due to potentially biased decisions. Because public confidence is important to most nonprofits, boards should take steps to avoid even the appearance of impropriety.

Note: As of September 2021, one (1) Board member (Grants & Foundations Officer) from the WRF continues to serve on the Board of the Prince George's County Chapter of The Links, Inc. The Board member will serve on The Link's Executive Board as Treasurer (formerly Financial Secretary) for the 2021-2023 term.

FINDING 3: Inappropriate Operating Practices

A&I sampled 31 expenditure transactions totaling \$54,712, or 89%, of the total funds awarded during the audit period. In reviewing the Payment Voucher documents, we noted that for four (4) out of 31, or 13% of the transactions tested (totaling \$5,080), the signatures for the requestor and the approver were noted as the same individual. In addition, two (2) of 31, or 6% of the transactions tested did not align with the organization's mission (expenses for musical entertainment, totaling \$1,450).

Per the organizations policies and procedures "Before any expenditure may be made, the requestor must submit a voucher requesting authorization to the President or her designee. The voucher is signed by the originator, countersigned by the President or her designee and, as appropriate, by the committee chairperson."

As outlined in the Prince George's County Grant Application "funds received will be used solely for the proposed activities as outlined in the proposal request within one (1) year of receiving funding".

Inappropriate operating practices may lead to opportunities for theft and/or the discontinuance of County funding.

FINDING 4: Not in Compliance with Applicable Federal and/or State Regulations

In reviewing the organization's expenditures and conducting a search of the Maryland Campaign Reporting Information System, we noted that the organization made political contributions totaling \$2,450. Furthermore, in review of the organization's board meeting minutes, dated June 21, 2018, the organization encouraged its board members to vote for a political candidate for public office. The minutes also disclosed the organization's efforts to actively assist in the campaigning process. Per the Internal Revenue Code "501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office." As a result, it should be noted that the organization is not in compliance with Federal (IRS) regulations.

In addition, as of July 13, 2021, A&I noted that the Foundation was not in compliance with the Maryland Solicitations Act, as a result of not submitting the proper information necessary to maintain its registration.

Under the Maryland Solicitations Act, a charitable organization soliciting in Maryland generally must file documents with the Office of the Secretary of State. Registration is required prior to the commencement of solicitations. The type of registration required depends upon the level of charitable contributions received by a charitable organization. Organizations receiving less than \$25,000 in contributions are not required to register with the State of Maryland. However, A&I noted that the Foundation received \$83,917 in contributions in 2018, which meets the criteria for filing.

Non-compliance with the rules as outlined in the Prince George's County Grant Application may affect future requests for grant funds.

FINDING 5: Inadequate Board Oversight

In review of the board meeting minutes we noted that during CY 2018 and CY 2019 the Foundation did not meet a minimum of four (4) times a year, as recommended by the Standards of Excellence.

Per the Standards of Excellence, the board should meet as frequently as needed to fully and adequately conduct the business of the organization. At a minimum, the board should meet four (4) times a year.

As stated in the organization's bylaws during each fiscal year, there shall be at least three (3) Regular Meetings of the Board of Directors. During each fiscal year, Special Meetings of the Board may be called by or at the request of the President, Vice-President and/or a majority of the

Directors. Annual Meetings of the organization for the election of the Board of Directors and for transactions of such other business as may properly come before the Board shall be held each year in the month of June.

The Board of Directors have the fundamental responsibility to provide oversight and accountability for the organization. Nonprofits that fail to adhere to good governance principles may be at risk of poor management, wastefulness of resources, and public mistrust.

FINDING 6: Financial Statement Audit Not Performed by Certified Public Accountant

MMullen & Associates PA, LLC provides tax preparation to the foundation as noted on the FY 2018 Form 990. The accounting firm also performed two (2) financial statement audits for the White Rose Foundation, Inc., FY 2018 and FY 2019. A&I noted that the preparer Michael Mullen is identified as a Public Accountant (PA), however it was determined that Mr. Mullen is not a Certified Public Accountant (CPA) licensed in the State of Maryland.

The National Council of Nonprofits states “audited financial statements” referring to the work product resulting from the independent examination of a nonprofit’s financial records by a licensed certified public accountant.”

Financial statement audits not performed by a licensed Certified Public Accountant lessens the creditability of the reports. In addition, it raises doubt as to the assurance that the financial statements are free from material misstatement.

RECOMMENDATIONS

Although grant funds were not used as outlined in the grant applications submitted by White Rose Foundation, Inc. and **approval was not obtained to modify or redirect the FY 2019 Non-Departmental grant funds awarded by the County Council**, we noted that funding was used to support other programs provided by the organization. **We also noted that the organization did not utilize the Non-Departmental grant funds awarded by the County Council in FY 2020.** 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 WRF in the future, the following recommendations should be implemented:

1. The County Council Grants Team should carefully review the operations of White Rose Foundation, Inc. to verify that the operational deficiencies outlined above are resolved, prior to processing and approving future grant funding.

2. White Rose Foundation, Inc. should submit a proposal to the County Council Grants Team detailing how the unused FY 2020 grant funds, totaling \$10,000, will be expended, prior to expending the grant funds.
3. White Rose Foundation, Inc. should adopt a conflict-of-interest policy that prohibits board members of WRF to serve as a board member of an affiliated organization or requiring board members to remove themselves from discussions and decision making and/or voting on transactions between the organization and another affiliated group.
4. White Rose Foundation, Inc. should implement internal controls to ensure key financial duties are properly segregated across several authorities to reduce possible fraudulent activities. Specifically, through authority, custody, and accounting.
5. White Rose Foundation, Inc. should ensure that is in full compliance with all local, state, and federal laws that apply to the organization.
6. White Rose Foundation, Inc. should conduct board meetings at a minimum of four (4) times a year, as recommended in the Maryland Nonprofit's Standards for Excellence and as outlined in the organization's policies and procedures to ensure efficient and effective decision-making.
7. White Rose Foundation, Inc. should ensure annual financial statement audits are performed by an independent Certified Public Accountant licensed (and in good standing) in the State of Maryland.

The attached Statement of Activities for the periods ending June 30, 2018, June 30, 2019, and June 30, 2020 shows the financial activities of the organization for the period in which the grant funds were received.

WHITE ROSE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
JUNE 30, 2018, JUNE 30, 2019, and JUNE 30, 2020
(ACCRUAL BASIS)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES:			
Prince George's County Grants	\$ 25,000	\$ 20,000	\$ 10,000
Prince George's County Sponsorships	-	6,600	-
Other Grant Income	25,000	17,791	25,000
Capital Campaign	3,500	390	2,209
Other Income	26,800	282,224	36,506
Operating Income	3,617	5,100	2,250
Total Revenues	\$ 83,917	\$ 332,105	\$ 75,966
EXPENDITURES:			
Program Expenses	\$ 29,259	\$ 106,014	\$ 41,067
Accounting	1,825	1,175	-
DC,MD,VA Expense Account	13,433	104,172	-
General & Administrative	5,346	5,346	625
Management	504	100	-
Operations	-	-	32,588
Fundraising Event	-	-	130,062
Total Expenditures	\$ 50,367	\$ 216,807	\$ 204,342
Excess Revenue Over/(Under) Expenditures	\$ 33,550	\$ 115,298	\$ (128,376)