

**ALLIANCE FOR INNOVATION IN EDUCATION, INC.**

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**GRANT AUDIT  
JANUARY 2023**

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

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# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

January 2023

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

### **ALLIANCE FOR INNOVATION IN EDUCATION, INC.,**

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 several matters involving the Prince George's County grants to Alliance for Innovation in Education, Inc., that led us to believe that the County grant funds were not used for their intended purpose. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to Alliance for Innovation in Education, Inc. at this time.

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 2020 Approved Operating Budget.

A handwritten signature in black ink, appearing to read "Turkessa M. Green".

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

A handwritten signature in black ink, appearing to read "Jisun Ahn".

Jisun Ahn  
Auditor-In-Charge

### Executive Summary

Alliance for Innovation in Education, Inc. (AIE) received a total of \$123,000 of grant funds from the Prince George's County Government (the "County") between July 2018 and June 2020.

During our audit we noted several matters involving the grant funding provided to AIE that are cause for concern. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to AIE at this time. A summary of these issues is provided below, and further details can be found in the following report.

- AIE's Board of Directors did not provide adequate board oversight with respect to having an adequate number of independent board members, conducting an adequate number of board meetings, formally approving contractual agreements, reviewing financial information, and adequately documenting board meetings.
- AIE did not have complete accounting records, written procedures in place regarding the processing of cash receipts and disbursements, or consistent practices in place for processing expenditure payments.
- AIE did not have adequate segregation of duties regarding the handling of cash receipts and disbursements.
- AIE did not maintain adequate documentation to support grant expenditures.
- AIE funds were utilized for questionable/unallowable expenditures, including payments for travel/gas/parking, food, political campaign contributions, cannabis training, and traffic citations.
- AIE was not in compliance with Local Impact Grant Award requirements. Funding provided by the Local Development Council was not used *primarily* to support communities in immediate proximity to MGM National Harbor.
- AIE did not comply with Federal and State government regulations. The specifics of this non-compliance are as follows:
  - Failure to maintain registration with the State of Maryland to solicit charitable contributions in Maryland in accordance with the Maryland Solicitations Act;
  - Failure to issue and file 1099 forms in accordance with IRS guidelines for payments made to contractors in excess of \$600; and
  - Failure to report payments to an officer/director on its 2019 Form 990.

Overall Audit Rating	Total County Grant Funding*	Other County Funding*
	\$ 123,000	\$ 29,119

● No Significant Findings Noted – Opportunities for Improvement Identified  
● Some Deficiencies Noted – Eligible for Funding  
● Significant Deficiencies Noted – Ineligible for Funding

\* Grant and/or other funding paid directly/indirectly by the County (i.e., M-NCPPC, PGCC, State grants, license fees, etc.). Excludes funding received before/after the audit period.

### **Alliance for Innovation in Education, Inc.**

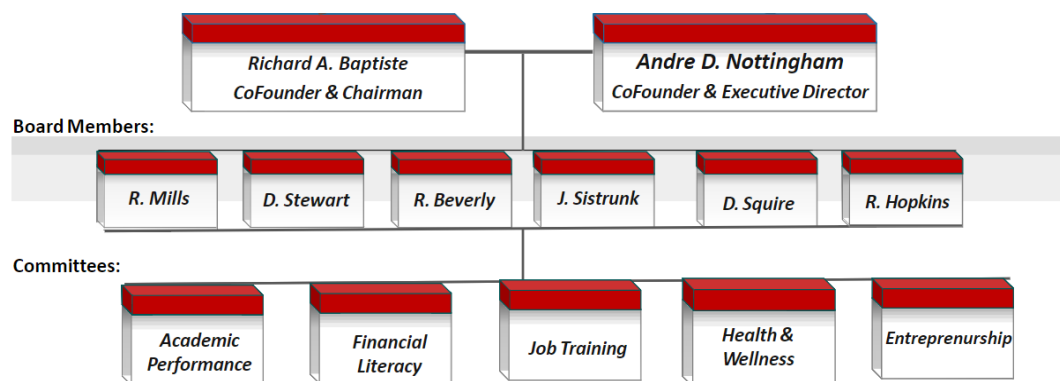
Alliance for Innovation in Education, Inc. (AIE) is a 501(c)(3) organization based in Prince George's County. AIE's mission is to help improve the academic performance, social & cultural development and educational opportunities for Prince George's County youth ages 12-25 years old.

AIE offers programs related to academic performance, health/wellness/movement, entrepreneurship, job training & readiness and financial literacy. AIE reported that it provided the following events and programs during the audit period using County grant funding:

- National Capital Region Chapter of the National Football Foundation and College Hall of Fame 13<sup>th</sup> Annual Scholar-Athlete Banquet (**April 7, 2019**)
- Pitch Gladiator (**April 25, 2019**)
- Shades of Blue Aviation Camp (**July 22 to July 26, 2019**)
- Youth Technology Immersion Program (**Weekends – May 4 through July 13, 2019**)
- Youth Technology Immersion Program Graduation (**July 20, 2019**)
- CashFlow Investing Workshop (**August 17, 2019**)
- CashFlow Investing Workshop (**September 14, 2019**)
- CashFlow Investing Workshop (**November 14, 2019**)
- E-STEM Middle & High School Summit (**November 19, 2019**)
- 3D Printing Technology Workshop (**Saturdays - February 1 - 22, 2020**)
- PGCC- AIE STEM Experience Camp (**Weekends – July 20 through August 14, 2020**)
- Youth Technology Immersion Program (**Weekends - July 11 through August 22, 2020**)

AIE is governed by a Board of Directors who reports to the two (2) Co-Founders, Richard Baptiste and Andre Nottingham. Mr. Baptiste is also the Chairman of the Board of Directors and Mr. Nottingham is the Executive Director of AIE.

The Board of AIE, which serves without compensation, should oversee the operational affairs of AIE and should have the authority to establish and execute policies to ensure the effective governance and management of the organization. An overview of AIE's organizational structure is shown in **Exhibit 1** below.



(Exhibit 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 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 the way of the Prince George's County Council and the Local Development Council, awarded AIE four (4) grants totaling \$123,000 in fiscal years 2019 and 2020. A summary of the grants awarded is shown in **Exhibit 2** below:

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>	<u>Grant Purpose</u>
12/24/2018	Non-Departmental	\$20,000	Implementation and execution of technology training for PGC high school students.
5/1/2019	Special Appropriation	3,000	Registration fee for 10-week AIE - Youth Technology Immersion Program for 30 PGCPHS High school students
6/17/2019	Local Impact	50,000	AIE-Youth Technology Immersion Program
7/22/2020	Local Impact	50,000	AIE-Youth Technology Immersion Program
<b>Total Amount Awarded</b>		<b><u>\$123,000</u></b>	

(Exhibit 2)

These grants were awarded for the implementation and execution of technology training for Prince George's County high school students, registration fees for AIE's Youth Technology Immersion Program for 30 Prince George's County high school students, and funding of AIE's Youth Technology Immersion Program, as noted in **Exhibit 2**.

AIE receives funding from grants, donations, and other sources. The County grants accounted for the majority of the organization's revenue in FY 2019 and FY 2020.

## **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 AIE's grant request applications 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 \$123,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by AIE;
- 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 AIE and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990 return for 2019;
- A review of available cash receipts and disbursement documentation; and
- A review of available minutes for meetings held by the Board of Directors.

AIE maintains its financial records using QuickBooks and operates on a January 1 through December 31 fiscal year, however our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Activities (**Schedule 1**), prepared by A&I, is presented on a calendar year consistent with AIE's operations

A&I examined the books and records maintained by AIE and performed tests of the accounting records and other auditing procedures, as deemed necessary. The examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices.

Although some documentation was provided by AIE, A&I did not receive sufficient documentation to support AIE's expenditures, in order to obtain reasonable assurance that the County grant funds awarded to the organization were properly supported and utilized for their intended purpose. The deficiencies noted during our audit are discussed in further detail below.

## **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 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.

According to the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* (“*Standards for Excellence*”), nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization’s financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reports, and safeguards to protect the integrity of the reporting systems.

### **Finding 1: Inadequate Board Structure/Lack of Board Oversight**

Based on a review of board minutes, A&I noted the following areas of concern:

- The Board of Directors report to the two (2) Cofounders (including one who serves as the Executive Director).
- The Board of Directors did not meet regularly (at least once every three months).
- The Board of Directors did not formally approve contractual agreements and other financial commitments of the organization.
- Board members did not review regular financial information for the organization (i.e. financial reports, grant applications, budget variance reports, etc.); and
- Board meetings (and Board actions) were not appropriately documented through approved minutes.

Mr. Baptiste and Mr. Nottingham were primarily responsible for making decisions for AIE and made major decisions regarding the use of funds. The Chairman/Cofounder, Mr. Baptiste had substantial influence as a member of the Board of AIE and had the ultimate authority, per the organization’s structure, for implementing decisions of the governing body and managing the finances of the organization.

According to AIE’s Bylaws, “all Board members shall serve one-year terms at the pleasure of the Executive Director who shall have total control over the makeup and composition of the Board.” AIE’s Bylaws also state, “The Board shall meet at least once every three months at an agreed upon time and place.” The *Standards of Excellence* also recommend the Board meet as frequently as needed to fully and adequately conduct the business of the organization. According to the *Standards of Excellence*, the board should meet a minimum of four (4) times a year.

[IRS Publication 4221-PC \(Rev. 3-2018\)](#) state that board minutes are permanent records and should be kept permanently.

A&I reviewed the Memorandum of Understandings (MOUs) with the Prince George’s Community College (PGCC) and Bowie State University (BSU) for the Youth Technology Immersion Program and noted that the MOUs were not signed. Additionally, we noted no approval of the MOUs documented in the minutes of the meetings held by the Board of

Directors. AIE reported that the MOUs were not finalized and that they did not receive an official signed Memorandum of Understanding from either entity.

The *Standards of Excellence* state that the Board should have stated performance expectations and hold board members accountable for attendance at meetings, participation in fundraising activities, committee service, and involvement in program activities. The *Standards of Excellence* further state that the Board is responsible for ensuring that resources (financial and human capital) are used to carry out the mission of the organization.

Additionally, the *Standards of Excellence* state that when engaging in strategic partnerships and formal alliances “nonprofits should ensure that proper due diligence has been followed and that agreements, memoranda of understanding, or similar documentation have been thoughtfully reviewed and considered” by the Board.

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 2: Incomplete Accounting and Lack of Formal Policies and Procedures**

A&I reviewed the bank statements for the audit period and noted that County grant funds awarded directly to AIE were deposited into AIE’s bank accounts. However, A&I noted inconsistencies in the accounting records for the organization, noted there were no written procedures in place regarding the processing of cash receipts and disbursements, and noted there was no consistent practice in place for processing expenditure payments.

A&I identified two (2) bank accounts with SunTrust Bank that is used for AIE’s daily operations. Although AIE reported that the organization performs bank reconciliations every 2-3 months, A&I was not provided bank reconciliations for review during the audit, as requested. As a result, A&I was unable to perform testing on the bank reconciliation to verify the continuity between the bank and accounting records.

A&I performed alternative audit procedures and was unable to trace a number of transactions, including ATM cash withdrawals, in AIE’s accounting records. Upon further review, A&I noted that some of the cash withdrawals were identified in the Check Register as payments to Mr. Nottingham for “Loans to Nonprofit”, however, these transactions were not included in the Profit and Loss Detail Report provided by AIE.

As a result, A&I compiled the bank statement transactions into a database, examined each to determine the nature of the expenditure, and classified each expenditure into categories based on the description of the vendor or the description of the transaction, if provided by the organization. **Schedule 1** includes the categories of expenses A&I identified through review of the organization’s bank statements and inquiries of AIE.

According to the United States General Accountability Office Standards (GAO) for Internal Control publication, “Management should implement control activities through policies.”

Policies and procedures govern an organization's day to day operations. These policies and procedures should specifically address financial and accounting processes to include the review and approval of financial transactions, accurate recording and categorization of expense transactions, and the retention of documentation to support all transactions.

The *Standards of Excellence* states in part, "... A nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of Executive Directors, and should identify and explain any material variation between actual and budgeted revenues and expenses."

Bank reconciliations are an important process designed to uncover any old outstanding checks or deposits that need to be researched. It's also a crucial tool to help monitor the organization's cash flow, as the accounting records are likely up to date if monthly reconciliations are performed, and reconciling differences are resolved in a timely manner. Ongoing monitoring during operations, which includes supervisory review of reconciliations and other financial documents, is also important to assess the quality of financial information provided to Management, the Board, and other stakeholders.

Inadequate controls over accounting operations increases the risk of fraud, waste and/or abuse. Additionally, inadequate accounting operations reduces the reliability of the financial statements to which management utilizes to make decisions.

### **Finding 3: Inadequate Segregation of Duties**

A&I noted that there was no segregation of duties regarding the handling of cash receipts and disbursements. As previously discussed, Mr. Baptiste is the sole individual responsible for maintaining the accounting records. Additionally, both Mr. Baptiste and Mr. Nottingham had check signing authority for the organization. A&I also noted that the address listed on AIE's checking and savings accounts was a residential property owned by Mr. Baptiste.

According to the United States General Accountability Office Standards (GAO) for Internal Control publication, "... management evaluates the delegation for proper segregation of duties within the unit and in the organizational structure." GAO further states in part "... segregation of duties helps prevent fraud, waste, and abuse in the entity by considering the need to separate authority, custody, and accounting in the organization."

Ideally, the organization's financial duties and other areas that deal with sensitive or valuable data should be distributed among multiple people to help protect the organization from errors, fraud, and waste of fiscal resources. For smaller organizations that may not have enough personnel for a proper separation of duties, someone independent of these functions should review/reconcile posted transactions regularly, adding to the system of checks and balances.

### **Finding 4: Inadequate Documentation to Support Grant Expenditures**

A&I sampled 54 expenditure transactions totaling \$23,602 (or 19.2%), of total funds awarded during the audit period to determine whether the expenditures were properly

categorized/recorded, properly supported with adequate documentation, in compliance with the grant applications, and consistent with the organization's mission/purpose.

As a result of our testing, A&I found the following:

- 35 of 54 (or 64.8%) of the transactions selected for testing, totaling \$8,021, did not appear to align with AIE's mission/purpose; and
- 43 of 54 (or 79.6%) of the transactions selected for testing, totaling \$13,275, were not adequately supported.

Additionally, AIE did not provide any supporting documentation for 26 of the 54 (or 48.1%) of the transactions selected for testing. The unsupported sample transactions totaled \$15,483.

Many of the expenses incurred had no supporting documentation and no other related information was provided by AIE. When A&I inquired about the missing documentation for several key expenses, AIE reported that they could not find most of the documentation. **Therefore, we were not able to determine if the County grant funds were expended as allowed per the terms of the grant awards.**

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.

#### **Finding 5: Inappropriate/Questionable Expenditures**

As previously stated in Finding 2, A&I compiled AIE's bank statement transactions into a database, examined each to determine the nature of the expenditure, and classified each expenditure into categories based on the description of the vendor or the description of the transaction, if provided by the organization. A&I categorized the expenditures into the following classifications: operation, program, or unallowable. A&I defined operation costs as being consistent with normal business expenses. Program costs are defined as expenditures that clearly correlate with an AIE program. Unallowable costs are defined as expenditures that were not related to the mission of the organization or purpose of the grant and/or appeared inappropriate. The results are shown by calendar year in **Exhibit 3** below.

	2018*	2019	2020	Total	%
<i>Operation</i>	\$ 9,365	\$ 28,448	\$ 39,587	\$ 77,400	56%
<i>Program</i>	247	23,563	35,799	59,609	43%
<i>Unallowable</i>	-	287	500	787	1%
	<b>\$ 9,612</b>	<b>\$ 52,299</b>	<b>\$ 75,886</b>	<b>\$ 137,796</b>	

*\*Only includes July 2018 through December 2018*

**(Exhibit 3)**

Included in the *Operation* category, A&I noted the following questionable expenditures:

- Expenditures totaling \$19,791 lacked supporting documentation detailing the purpose of the transactions.
- AIE spent \$6,239 for travel, gas and parking expenses. A&I was not provided with documentation to support the business purpose of the expenditures.
- Cash withdrawals totaling \$3,200 for payments made to Andre Nottingham, Executive Director.
- Operational food expenditures totaling \$5,485 that did not appear to be related to an AIE program.
- Payments totaling \$1,206 were made to other nonprofits. A&I was not provided with supporting documentation detailing the purpose of the payments.
- A&I noted that 56% of AIE's total expenditures was used to pay for operational expenses and 43% was used for program expenses. (*Organizations should make efforts to ensure that general administrative costs are limited to a reasonable percentage (no more than 25%) of total costs.*)

Included in the Unallowable category, A&I noted AIE made a \$500 political campaign contribution (See **Finding 7** for more detail), a \$199 payment for a Cannabis Training course and \$88 payment for traffic citations.

A&I noted that AIE paid the citations for a vehicle registered to Body Moves LLC, a for-profit organization associated with Mr. Baptiste. According to IRS rules, fines you have to pay for moving violations or other civil infractions such as parking fines or tickets for failure to properly maintain the vehicle, are not deductible. The IRS allows only expenses that are necessary for income-producing activity to be deducted. Furthermore, breaking the law is not a common or necessary expense in any industry since citations and traffic violations are avoidable by following the laws and regulations.

As shown in **Exhibit 2** on page 4 of this report, three (3) of the four (4) County grant awards were to be used to fund AIE's Youth Technology Immersion Program for Prince George's County high school students. A total of \$103,000 was awarded by the County for this purpose. However, AIE reported some of the grant funds were used for events and programs not related to the Youth Technology Immersion Program. A&I was unable to determine the total amount of grant funds that were used for events and programs not related to the Youth Technology Immersion Program.

AIE also reported that grant funds were used for expenditures related to the PGCC Summer STEM Experience Camp held during the summer of 2020. However, through inquiries of PGCC staff and review of related documentation, A&I learned that this program was funded by the County's Community Partnership Grant awarded to PGCC in FY 2020. AIE participated as the camp's program manager.

Upon review of the Memorandum of Understanding between AIE and PGCC, and review of documentation submitted by AIE to PGCC for expenditures related to the program held in the summer of 2020, A&I noted that AIE was compensated \$15,000 for program management and

received a reimbursement of approximately \$12,095 for supplies. Additionally, A&I noted a separate payment made to Mr. Baptiste for approximately \$2,024 for work performed during the program. AIE did not disclose these payments from PGCC, totaling \$29,119, to A&I during the course of the audit.

AIE reported that the organization, board members, and cofounders did not receive any compensation for programs and events held during the audit period.

#### **Finding 6: Noncompliance with Local Impact Grant Award Requirements**

As previously mentioned in this report, 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 (MGM). For the period under review, the Local Development Council considered “immediate proximity” to be within a 3-mile radius<sup>1</sup> of MGM and provided an online tool for potential grant applicants to determine if services provided by the nonprofit organizations are within the defined impact area. These grants are awarded through a formal application process.

The Local Development Council awarded AIE \$50,000 for FY 2019 and \$50,000 for FY 2020, for the Youth Technology Immersion Program, with the intent to target six (6) high schools in the southern portion of the County, which are as follows:

- Oxon Hill High School      6701 Leyte Drive, Oxon Hill, MD 20745
- Potomac High School      5211 Boydell Avenue, Oxon Hill, MD 20745
- Crossland High School      6901 Temple Hills Road, Temple Hills, MD 20748
- Suitland High School      5200 Silver Hill Road, Forestville, MD, 20747
- Friendly High School      10000 Allentown Road, Fort Washington, MD 20744
- Surrattsville High School      6101 Garden Drive, Clinton, MD 20735

A&I conducted a search using the Local Development Council’s MGM 3-mile radius online lookup tool and noted that only Oxon Hill High School was located within the 3-mile radius<sup>1</sup>, which is required by Maryland state law to receive local impact grant funds.

Furthermore, A&I noted that the Local Impact Grant funds would be used to fund AIE’s Youth Technology Immersion Program held at Prince George’s Community College and Bowie State University, which are both located outside of the impact area (within 3-miles of MGM<sup>1</sup>).

AIE’s program impact report listed the school demographics for the students who participated in the 2019 AIE Youth Technology Immersion Program, as shown in **Exhibit 4**. A&I noted that only seven (7) of the 26 students, or 26.9%, were from schools located within the designated impact area.

A&I also noted one (1) student attended St. Charles County High School located in Charles County, Maryland which is outside of the County.

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<sup>1</sup> The Local Development Council now defines immediate proximity to be within a 6-mile radius of MGM National Harbor.

➤ 26 students were interviewed and selected for the 2019 Youth Technology Immersion Program

Of the 26 students selected:

- 9 students are from Charles Herbert Flowers H.S. (35%) (Councilmanic District – 5)
- 7 students are from Oxon Hill H.S. (27%) (Councilmanic District – 8)
- 3 student are from Central H.S. (12%) (Councilmanic District – 6)
- 2 students are from CMIT (Chesapeake Math and IT) South H.S. (8%) (CD – 9)
- 1 student is from DuVal H.S. (4%) (Councilmanic District – 4)
- 1 student is from Fredrick Douglass H.S. (4%) (Councilmanic District – 9)
- 1 student is from Lanham Cristian Academy (4%) (Councilmanic District – 4)
- 1 student is from Gwynn Park H.S. (4%) (Councilmanic District – 9)
- 1 student is from St. Charles County H.S. (4%)

(Exhibit 4)

AIE also provided a list of students who participated in the 2020 AIE Youth Technology Immersion Program and their school demographics, as shown in **Exhibit 5**. A&I reviewed the report and noted that only 17 of the 27 students, or 62.9%, were from schools located within the 3-mile radius<sup>1</sup> as designated by Maryland state law.

A&I also noted one (1) student attended National Cathedral School located in the District of Columbia which is outside of the County.

Date: 7/11/2020 - 8/22/2020

Program: 2020 Youth Technology Immersion Program

# of Students: 27 Students

Schools: 17 - Students from Oxon Hill High School

- 2 - Students from Gwynn Park High School
- 4 - Students from Chesapeake Math and IT South
- 2 - Student from National Cathedral School
- 1 - Student from Heart Christian School
- 1 - Student from Deerpond Christian Academy

(Exhibit 5)

Upon review of the list of the participants that reportedly participated in **all** of the programs provided by AIE during the audit period (see full report in **Attachment 1**), we noted that only 9.5%, including the students that participated in the YTIP, were located within the 3-mile radius<sup>1</sup>.

After reviewing the grant applications and corresponding program impact reports, **we do not believe the Local Impact Grants were used primarily in the communities in immediate proximity to MGM National Harbor (MGM), as required by Maryland state law.**

**Finding 7: Noncompliance with Applicable Federal and State Regulations**

*Noncompliance with Internal Revenue Code*

A&I noted that AIE made a \$500 political contribution to support the Prince George's County Executive. Nonprofit organizations are prohibited by the IRS from making contributions to political campaigns. Violations could result in denial or revocation of tax-exempt status and the imposition of certain excise taxes.

Also, A&I noted that AIE did not issue 1099s to individuals receiving payments over \$600 in a calendar year. Although AIE reported that the organization does not employ personnel, contractors, consultants, etc., during the audit A&I noted the following:

- As previously discussed, Andre D. Nottingham, Cofounder/Executive Director of AIE received payments totaling at least \$3,200. Some of the payments were recorded as a "Loan from Founders" in the accounting records. When A&I requested an explanation for the "Loan from Founders" account category and the corresponding loan agreements, AIE reported that Mr. Nottingham and Mr. Baptiste contributed \$2,500 each as seed monies for AIE when the organization was first established. AIE also reported that the payments were made to Mr. Nottingham as a stipend when his work with AIE prevented him from earning compensation from his job as a financial consultant and Uber/Lyft driver. Mr. Nottingham was paid at least \$2,300 in calendar year 2018 and a total of \$900 in calendar year 2019.
- A&I reviewed the bank statements provided by AIE and identified another individual who received payments of more than \$600 in a calendar year. A&I noted that the individual was an instructor for the Youth Technology Immersion Program. The instructor was paid a total of \$2,200 in calendar year 2019.

	2018	2019
<i>Instructor</i>	\$0	\$2,200
<i>Executive Director</i>	\$2,300	\$900
<b><i>Total Paid</i></b>	<b>\$2,300</b>	<b>\$3,100</b>

*(Exhibit 6)*

According to the IRS, any individual receiving income, for services performed by a non-employee, totaling \$600 or more should be issued a Form 1099-MISC from the organization making payment. **A&I requested a Form 1099-MISC for all individuals for the audit period, however AIE reported that it did not issue any 1099s for the audit period.** Failure to submit required forms to the IRS could subject the organization to late filing penalties of \$260 per return, or \$530 per return for intentional disregard.

Additionally, organizations are required to list each officer, director, trustee, or key employee and any compensation received by each, on its Form 990 in [Part IV](#). The IRS also states that in Section A, all current officers, directors, and trustee are to be listed even if they did not receive compensation. **A&I reviewed AIE's FY 2019 Form 990 and noted that AIE did not record**

**the payments to Andre D. Nottingham, as required.** Failure to comply with this requirement can result in penalties for filing an incomplete return.

*Noncompliance with Maryland Solicitations Act*

As of October 2021, **A&I noted that AIE 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. Non-compliance with the rules as outlined in the Prince George's County grant application may affect future requests for grant funds.

**RECOMMENDATIONS**

Based upon the extent of the findings outlined in this report, **we recommend that the County discontinue awarding Alliance for Innovation in Education, Inc. grant funding at this time.** The Prince George's County Government should require a refund of any grant funds awarded when an organization is not in compliance with the terms and conditions of the grant award, including funds expended for personal use, questionable expenses, and other unallowable expenses.

Additionally, based on the critical findings noted in this audit, AIE should immediately address the deficiencies identified in this report and implement the following recommendations:

1. Alliance for Innovation in Education, Inc. should **ensure that it is in full compliance with all local, state and federal laws** that apply to the organization, including compliance with Internal Revenue Service requirements and Prince George's County grant requirements.
2. Alliance for Innovation in Education, Inc. should **ensure that any County Government grant funding 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.**
3. Alliance for Innovation in Education, Inc. **should evaluate and strengthen its Board of Directors** to ensure the Board can provide the appropriate oversight of the organization.
  - a. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission. The Board should annually approve the organization's budget and the organization should be operated in accordance with this budget.

- b. Determine the appropriate people to sit on the board including those who have some expertise and experience working with the target population and those who have been involved in the community.
  - c. Based on the criteria established above, identify gaps that need to be filled so that the Board can more effectively realize its mission.
  - d. The Board should meet regularly, document all Board meetings in the form of minutes, and ensure a quorum of voting members is present when making major decisions for the organization. The minutes stand as the official record of the Board's actions and should be approved by the Board in a timely manner.
  - e. The *Standards for Excellence* states that 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.
- 4. Alliance for Innovation in Education, Inc. should take the necessary steps **to ensure that a sound accounting and internal control system is in place** to properly account for future funding that it may receive. A strong internal control system includes:
  - a. Segregating key financial duties including authorization, custody, record keeping and reconciliation. It is ideal to arrange the workload so that no one person handles more than one type of function.
  - b. Establishing Written Policies – Nonprofit organizations should have written financial policies that address internal controls. Policies and procedures should be communicated to all applicable personnel.
  - c. Maintaining appropriate documentation to support revenue and expenditure transactions, including but not limited to bank statements, check copies, check registers, signed memoranda of understanding (MOUs), signed employment agreements, signed contract agreements, receipts for travel and entertainment expenses, detail information regarding individual and corporate donor payments and other funds received. Documentation should be maintained for a period of at least three years after the tax return is filed, in accordance with IRS guidelines.
  - d. Financial Reporting – A nonprofit organization should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the Board of Directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.

**ALLIANCE FOR INNOVATION IN EDUCATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE PERIODS ENDING**  
**DECEMBER 31, 2019 AND DECEMBER 31, 2020**  
**(CASH BASIS)**

	<u>2019</u>	<u>2020</u>	<u>Total</u>
<b>REVENUES:</b>			
Prince George's County Government Grants	\$ 53,000	\$ 50,000	\$ 103,000
Prince George's Community College	-	27,095	27,095
Contributions	100	80	180
Unknown	-	10,000	10,000
Interest	3	5	8
<b>Total Revenues</b>	<b>\$ 53,103</b>	<b>\$ 87,180</b>	<b>\$ 140,283</b>
<b>EXPENDITURES:</b>			
<b><u>Operations</u></b>	<b>\$ 28,448</b>	<b>\$ 39,587</b>	<b>\$ 68,035</b>
<i>Books, Subscriptions, Reference</i>	1,295	1,103	2,398
<i>Cash</i>	1,400	1,000	2,400
<i>Fines and Fees</i>	459	176	635
<i>Food</i>	5,059	254	5,313
<i>Miscellaneous</i>	50	562	612
<i>Office Equipment</i>	30	809	839
<i>Office Expense</i>	3,122	4,783	7,905
<i>Office Rent</i>	2,280	1,620	3,900
<i>Other Nonprofit and Memberships</i>	675	531	1,206
<i>Software</i>	2,996	2,420	5,417
<i>Supplies</i>	5,047	1,100	6,147
<i>Telephone</i>	1,404	4,516	5,920
<i>Travel, Parking and Gas</i>	4,631	922	5,553
<i>Unknown Purpose</i>	-	19,791	19,791
<b><u>Program</u></b>	<b>\$ 23,563</b>	<b>\$ 35,799</b>	<b>\$ 59,362</b>
<i>Financial Literacy</i>	-	11,225	11,225
<i>Food</i>	2,405	-	2,405
<i>Investing</i>	1,000	-	1,000
<i>Mail</i>	917	614	1,530
<i>Prince George's Community College STEM Camp</i>	-	11,042	11,042
<i>Scholarship Program</i>	1,600	-	1,600
<i>Software</i>	59	1,039	1,098
<i>STEAM Program</i>	1,906	6,771	8,677
<i>Supplies</i>	1,204	1,116	2,320
<i>Technology</i>	120	120	240
<i>Youth Technology Immersion Program</i>	14,353	3,872	18,225
<b><u>Unallowable</u></b>	<b>\$ 287</b>	<b>\$ 500</b>	<b>\$ 787</b>
<i>Citations</i>	88	-	88
<i>Cannabis Training University</i>	199	-	199
<i>Campaign Contribution</i>	-	500	500
<b>Total Expenditures</b>	<b>\$ 52,299</b>	<b>\$ 75,886</b>	<b>\$ 128,184</b>
<b>Excess Revenue Over/(Under) Expenditures</b>	<b>\$ 804</b>	<b>\$ 11,295</b>	<b>\$ 12,099</b>

*Note: AIE received \$20,000 in awards in calendar year 2018 that were included in the scope of the audit but are not included in the Statement of Activities above since the organization operates on a calendar year.*

## Attachment 1

### Population / Schools Served by AIE Programs in 2019 & 2020

<b>2019</b>
Date: 4/7/2019
Program: 13th Annual Scholar Athlete Banquet
Schools: Potomac High School Friendly High School
# of Students: \$1000 Scholarship - Friendly High School Morgan Pinkney

Date: 4/25/2019
Program: 2019 Pitch Gladiator Program
Schools: Prince George's Community College
# of Students: 4 PGCC College Students

Date: 5/4/2019 - 7/20/2019
Program: 2019 Youth Tech Immersion Program
# of Students: 26 High School Students
Schools: <ul style="list-style-type: none"> <li>9 students are from Charles Herbert Flowers H.S. (35%) (Councilmanic District – 5)</li> <li>7 students are from Oxon Hill H.S. (27%) (Councilmanic District – 8)</li> <li>3 student are from Central H.S. (12%) (Councilmanic District – 6)</li> <li>2 students are from CMIT (Chesapeake Math and IT) South H.S. (8%) (CD – 9)</li> <li>1 student is from DuVal H.S. (4%) (Councilmanic District – 4)</li> <li>1 student is from Fredrick Douglass H.S. (4%) (Councilmanic District – 9)</li> <li>1 student is from Lanham Cristian Academy (4%) (Councilmanic District – 4)</li> <li>1 student is from Gwynn Park H.S. (4%) (Councilmanic District – 9)</li> <li>1 student is from St. Charles County H.S. (4%)</li> </ul>

Date: 7/22/2019 - 7/26/2019
Program: 2019 Aviation Camp
# of Students: Sponsored 3 Students
Schools: <ul style="list-style-type: none"> <li>1 student from Charles Herbert Flowers H.S.</li> <li>1 student from CMIT (Chesapeake Math and IT) South H.S.</li> <li>1 student from Oxon Hill H.S.</li> </ul>

Date: 8/17/2019
Program: CashFlow - Financial Literacy Workshop
# of Students: 16 Participants
Schools: <ul style="list-style-type: none"> <li>Participants spanned from Middle School students to Adults</li> </ul>

Date: 11/14/2019
Program: STEM Preneur Summit
# of Students: 110 Middle School Students
Schools: <ul style="list-style-type: none"> <li>College Park Academy (Middle/High School Students)</li> <li>Bailou High School</li> <li>Parkdale High School</li> </ul>

Date: 11/16/2019
Program: CashFlow - Financial Literacy Workshop
# of Students: 22 Participants
Schools: <ul style="list-style-type: none"> <li>Participants spanned from Middle School students to Adults</li> </ul>

<b>2020</b>
Date: February 2020 (1st / 8th / 15th / 22nd)
Program: AIE - #D Printing Technology Workshop
# of Students: 28 Students Participated
Schools: <ul style="list-style-type: none"> <li>23 - Students from Accokeek Academy</li> <li>3 - Students from Oxon Hill High School</li> <li>1 - Student from Surratsville High School</li> <li>1 - Student from St. Charles County High School</li> </ul>

Date: 7/20/2020 - 8/14/2020
Program: PGCC-AIE - STEM Experience Camp (Middle School)
# of Students: 79 Students
Schools: <ul style="list-style-type: none"> <li>2 - Academy of St. Matthias</li> <li>3 - Accokeek Academy</li> <li>1 - Benjamin Foulois Creative and Performing Arts</li> <li>1 - Benjamin Stoddert Middle</li> <li>1 - Benjamin Tasker Middle</li> <li>2 - Charles Carroll Middle School</li> <li>1 - Christian Academy of Laurel</li> <li>1 - CMIT South Middle School</li> <li>1 - Dora Kennedy French Immersion</li> <li>1 - Ernest Everett Just Middle School</li> <li>1 - Excel Academy Public Charter School</li> <li>1 - Excellence Christian School</li> <li>1 - From The Heart Christian School</li> <li>1 - Glenridge Elementary School</li> <li>3 - Greenbelt Middle School</li> <li>1 - Gwynn Park Middle School</li> <li>1 - Holton-Arms</li> <li>1 - Holy Trinity Episcopal Day School</li> <li>7 - Home School</li> <li>1 - Imagine Foundations at Morningside</li> <li>1 - Imagine Foundations of Leeland</li> <li>1 - Imagine Lincoln Public Charter</li> <li>2 - Isaac J Gourdine Middle School</li> <li>1 - James Madison Middle School</li> <li>11 - Kenmoor Middle School</li> <li>6 - Kettering Middle School</li> <li>1 - Landon Middle School</li> <li>1 - Maya Angelou French Immersion</li> <li>1 - Middleton Valley Academy</li> <li>2 - Oxon Hill Middle School</li> <li>2 - Paint Branch Elementary (6th Grades)</li> <li>1 - Rippon Middle School</li> <li>3 - Robert Goddard Montessori School</li> <li>1 - Rosa Parks Middle School</li> <li>2 - St. Ambrose Catholic School</li> <li>2 - Thomas G. Pullen Creative and Performing Arts School</li> <li>1 - Thomas Johnson Middle School</li> <li>3 - Walker Mill Middle School</li> <li>4 - William Wirt Middle School</li> <li>1 - Woodstream Christian Academy</li> </ul>

Date: 7/11/2020 - 8/22/2020
Program: 2020 Youth Technology Immersion Program
# of Students: 27 Students
Schools: <ul style="list-style-type: none"> <li>17 - Students from Oxon Hill High School</li> <li>2 - Students from Gwynn Park High School</li> <li>4 - Students from Chesapeake Math and IT South</li> <li>2 - Student from National Cathedral School</li> <li>1 - Student from Heart Christian School</li> <li>1 - Student from Deerpond Christian Academy</li> </ul>

Source: Alliance for Innovation in Education, Inc.