

FOUNDATION FOR THE ADVANCEMENT OF MUSIC AND EDUCATION, INC.

GRANT AUDIT
November 2015

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



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

November 2015

The County Council and County Executive
of Prince George's County, Maryland

Council Resolution 51-1991, adopted June 25, 1991, requires the Office of Audits and Investigations to perform random financial audits of grants and transfer payments appropriated in the Non-Departmental section of the County's Approved Annual Current Expense Budget.

We have examined the books and records of

FOUNDATION FOR THE ADVANCEMENT OF MUSIC AND EDUCATION, INC.
for the period July 1, 2012, through June 30, 2013. 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 Foundation for the Advancement of Music and Education, Inc. that led us to believe that the County grant funds were used for other than their intended purpose. However, we did note that the auditee lacked an adequate accounting system to properly account for and report their financial transactions.

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 2013 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 blue ink, appearing to read "Natalie M. Beckwith, MPA".

Natalie M. Beckwith, MPA
Auditor-In-Charge

Foundation for the Advancement of Music and Education, Inc.

The Prince George's County Government awarded the Foundation for the Advancement of Music and Education, Inc. (FAME) five grants totaling \$61,000 in fiscal year 2013. These awards were issued during the period of August 2012 through April 2013. A summary of the grants awarded is as follows:

<u>Document Date</u>	<u>Grant Award Amount</u>
08/20/12	\$ 20,000
10/23/12	3,000
11/02/12	3,000
01/28/13	10,000
04/25/13	<u>25,000</u>
Total Amount Awarded	<u>\$ 61,000</u>

This funding was to be used expressly for FAME's core program functions. FAME is an incorporated 501(c) (3) non-profit organization founded in 2004. FAME receives funds from grants, private donations, the combined Federal Campaign and fundraising activities. FAME is an organization based in Bowie, Maryland, however its program office is located at 9701 Apollo Drive, Suite 221, Largo, Maryland. FAME provides an array of musical and educational services to middle and high school aged individuals who either reside or attend school in Prince George's County (County). FAME currently provides services to its target population in several core areas including the following:

- University of Maryland Summer Music Technology Program;
- Bowie State University – Beats, Books and Hooks Program;
- Central High School - Music is Central After School Program;
- Instrument donation program;

- Scholarships program.

According to FAME's grant application, any County grant funds received are to be utilized to support the organization's musical productions and concerts.

We examined the books and records maintained by FAME 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, we discovered that FAME currently does not have an adequate accounting system in place to account for financial related activities and transactions. Currently, FAME accounts for its financial activities utilizing an Excel spreadsheet that only tracks revenue and expenditure transactions. The organization does not perform simple accounting practices, such as bank reconciliations or the recording of financial transactions, which would support the production of basic financial statements and reports. FAME's current practice of utilizing an Excel spreadsheet to only track financial transactions, conducted in isolation, is not an effective means to support fundamental financial accounting and reporting.

During our audit, we were able to apply alternative audit procedures that allowed us to become reasonably assured that grant funds were accounted for and were used for their intended purpose. However, while conducting these procedures we did identify eight minor (8) instances where expenditures recorded on the Excel spreadsheet produced by FAME either could not be traced to a bank statement or were recorded incorrectly. Sound accounting practices would suggest that there be a system in place that would support basic accounting functions such as bank reconciliations, the input of financial transactions, and the production of detail and

summary financial reports. While a formal accounting system is not required to perform these functions, it would be the best solution given its inherent ability to perform these functionalities.

When asked about the above mentioned inadequate accounting system, the Executive Director of FAME informed our audit staff that they are planning (in the coming fiscal year) to enlist the services of a CPA firm to oversee their daily and monthly bookkeeping responsibilities utilizing QuickBooks as their primary electronic accounting system. The lack of an adequate accounting system could create an environment where recordkeeping and financial reporting is vulnerable to gross inaccuracies. Given the degree of inadequacy described above we recommend:

FAME immediately put in place an adequate accounting system, with the ability to perform basic accounting functions, to appropriately account for all financial related activities.

FAME operates and reports on a calendar year, however our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Revenues and Expenditures will be presented on a calendar year consistent with FAME's operations. The Statement of Revenues and Expenditures shows the activities of the organization for the periods ending December 31, 2012, and December 31, 2013. The statement was generated from FAME's 990 tax return filings due to the fact they were unable to provide accounting reports and/or audited financial statements that supported these figures. Grant funding of \$61,000 received by FAME during our examination period of July 1, 2012, through June 30, 2013, is presented in the attached statement consistent with their award dates. FAME received County funding for calendar year 2012 and 2013 in the amounts of \$26,000 and \$35,000, respectively.

FOUNDATION FOR THE ADVANCEMENT OF MUSIC AND EDUCATION, INC.
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE PERIODS ENDING
DECEMBER 31, 2012 AND DECEMBER 31, 2013
(CASH BASIS-UNAUDITED)

REVENUES:

	2012	2013
Prince George's County Grant	\$ 26,000	\$ 35,000
Other Government Grants	12,500	64,000
Other Contributions	157,058	58,650
Federated Campaign	4,630	4,674
Use of Facilities and Equipment	0	26,000
Programs and Services	0	5,931
Fundraising	18,780	0
Miscellaneous Revenue	0	14,440
Total Revenues	\$ 218,968	\$ 208,695

EXPENDITURES:

Grants and Scholarships	\$ 17,757	\$ 16,775
Compensation	7,750	27,950
Payroll Taxes	0	998
Professional Fundraising	13,845	0
Accounting Fees	0	600
Contract Program Support	26,509	54,591
Strategic Planning	0	12,000
Capacity Building	5,300	0
Advertising and Promotion	51,500	0
Office Expense	29,244	9,957
Information Technology	10,448	3,709
Occupancy	34,650	2,400
Travel	0	1,108
Conferences and Transportaion	9,278	1,916
Payments to Affiliates	50	0
Insurance	1,972	3,005
Musical Instruments	1,758	770
After School Programs / Meals	4,014	3,884
Total Expenditures	\$ 214,075	\$ 139,663
Excess Revenue Over/(Under) Expenditures	\$ 4,893	\$ 69,032