

4EVER UNIFIED INC.

**GRANT AUDIT
JUNE 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

June 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.

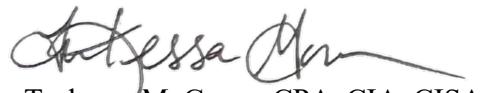
We have examined the books and records of

4EVER UNIFIED INC.

for the period January 1, 2022, through December 31, 2022. Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances.

We did not receive sufficient documentation to support the organization'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. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to 4Ever Unified Inc. until the deficiencies noted are rectified.

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 2022 Approved Operating Budget.



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Executive Summary

4Ever Unified Inc. received a total of \$35,327 of grant and sponsorship funds from the Prince George's County Government (the "County") between April 2022 and June 2022. During our audit, we noted several matters involving the grant funding provided to 4Ever Unified Inc. that are cause for concern. Based upon the extent of the findings outlined in this report, we recommend discontinuing County grant funding to 4Ever Unified Inc. at this time. A summary of these issues is provided below, and further details can be found in the following report.

- 4Ever Unified Inc.'s Board of Directors did not provide adequate board oversight with respect to having an adequate number of **independent** board members and conducting an adequate number of board meetings as required in its bylaws.
- 4Ever Unified Inc. did not maintain adequate documentation for 8 transactions selected in our sample, totaling \$6,360. The lack of documentation included original invoices/receipts.
- 4Ever Unified Inc. 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 file 990-N forms in accordance with IRS guidelines for tax-exempt organizations.
- 4Ever Unified Inc.'s Board of Directors did not provide adequate organizational oversight with respect to the establishment of the organization's policies and procedures, and the review of financial-related issues.
- 4Ever Unified Inc. utilized cash withdrawals on numerous occasions to conduct normal business transactions, thus eliminating transactional transparency.

Overall Audit Rating	Total County Funding
	\$ 35,327

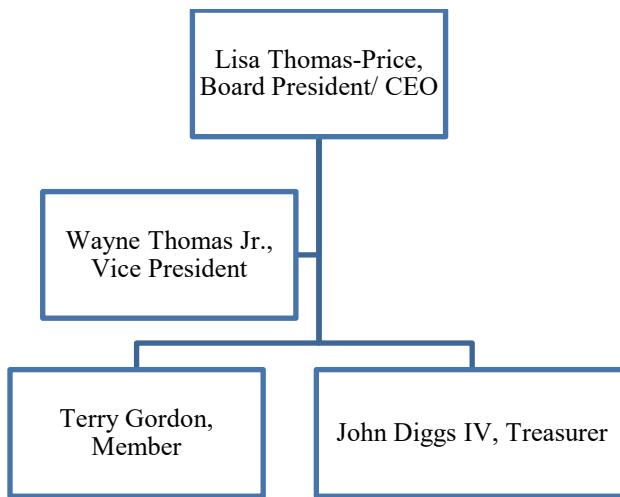
- No Significant Findings Noted – Opportunities for Improvement Identified
- Some Deficiencies Noted – Eligible for Funding
- Significant Deficiencies Noted – Ineligible for Funding

4Ever Unified Inc.

4Ever Unified Inc. is a 501(c)(3) nonprofit that was incorporated in the State of Maryland on June 11, 2020, with the goal of helping bridge the gap between law enforcement and the community. The organization was founded by three (3) active Prince George's County Police Officers (Corporal John Diggs IV, Corporal Terry Gordon, and Corporal Wayne Thomas Jr.) and Ms. Lisa Thomas-Price to focus primarily on organizing community events that incorporate a friendly police presence. The organization does not have a physical location for its operations; however, the mailing address for the organization is 9134 Piscataway Road #1539, Clinton, Maryland. 4Ever Unified Inc. proactively sponsors community festivals and anti-crime walks, award presentations, appreciation events, holiday toy distributions, and other events. The vision of the organization is to create an atmosphere that allows police officers to build trust and bond in a greater way with children, youth, and families. A list of some of the events that the organization held in 2022 includes the following:

- District 9 Women's History Luncheon held March 25, 2022, from 11:00 a.m. to 1:00 p.m.;
- Council District 9 Officer Appreciation Celebration on May 6, 2022, from 7:00 p.m. to 10:00 p.m.;
- District 9 Hoops Up Crime Down Community Event on May 13, 2022, from 6:00 p.m. to 9:00 p.m.;
- 5th Annual 4Ever Unified Inc. Community Day on June 24, 2022, from 3:00 p.m. to 8:00 p.m.;
- Before the Badge Community Health and Wellness Fair in partnership with the Prince George's County Police Department (PGCPD) on August 27, 2022, from 10:00 a.m. to 2:00 p.m.; and
- Before The Lights Go Out Community Popup in partnership with the PGCPD Division V on September 21, 2022, from 3:00 p.m. to 6:00 p.m.

The business and affairs of 4Ever Unified Inc. are managed by the Board of Directors, who serve without compensation. The board is comprised of four (4) board members, including the President/CEO and three (3) board members. The Board manages the affairs of the organization and has all the powers and duties necessary or appropriate for the administration of the organization's affairs. Per the organization's bylaws, the Board is required to hold quarterly meetings at a place specified by the Board President. A current overview of 4Ever Unified Inc.'s board organizational structure is shown on the following page.



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. These grants are awarded in two forms: Non-Departmental grants designated and allocated by the Prince George's County Council as a whole; and Special Appropriation grants designated and allocated by each Council Member individually. Both grants 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 Prince George's County Government, by way of the Prince George's County Council, awarded 4Ever Unified Inc. two (2) grants and sponsored three (3) events totaling \$35,327 in fiscal year 2022. These funds were disbursed between April 2022 and June 2022. A summary of these disbursements is as follows:

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
4/4/2022	Event Sponsorship	\$ 5,728
5/19/2022	Event Sponsorship	6,801
5/19/2022	Event Sponsorship	8,798
6/30/2022	Special Appropriation	10,000
6/30/2022	Special Appropriation	4,000
<u>Total Amount Disbursed</u>		<u>\$ 35,327</u>

The event sponsorship funds that were provided to the organization were tied to three specific events that were conducted by the organization. These events were as follows:

- District 9 Women's History Luncheon held March 25, 2022 (\$5,728);
- District 9 Officer Appreciation Celebration held May 6, 2022 (\$8,798); and
- District 9 Hoops Up Crime Down Community Event held May 13, 2022 (\$6,801).

The organization provided an invoice for these events, and they were subsequently paid after the events were conducted via sponsorship funding from District 9. The special appropriation grants awarded to the organization were given to (1) brighten the lives of seniors living in the County who have been severely impacted by the isolation and challenges imposed by COVID-19 and (2) to conduct events for young people of all ages including their families.

4Ever Unified Inc. receives funding from grants, donations, and other sources. The County funds accounted for most of the organization's revenue in CY 2022.

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 4Ever Unified Inc.'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 grant funds received from January 2022 through December 2022 (a total of \$35,327).

The criteria used to evaluate the audit evidence gathered included:

- The grant application submitted by 4Ever Unified Inc.;
- Bylaws submitted by 4Ever Unified Inc.;
- The United States General Accountability Office Standards for Internal Control publication ([GAO-14-704G](#)) (09/14);
- [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 inquiries with key personnel of 4Ever Unified Inc. and detailed tests, including:

- An examination of the organization's monthly bank statements;
- A review of the organization's Federal Form 990-N return for 2021;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

4Ever Unified Inc. operates and reports on a calendar year, consistent with our examination. The attached Statement of Activities (**Schedule 1**) shows the financial activities of the organization for the period ending December 31, 2022.

We examined the books and records maintained by 4Ever Unified Inc. 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 4Ever Unified, Inc., A&I did not receive sufficient documentation to support the organization'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 their 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 the 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 the accuracy and transparency of financial and operational reports and safeguards to protect the integrity of the reporting systems.

FINDING 1: Lack of Board Oversight

4Ever Unified Inc. is a small organization with its daily operational and financial decisions made solely by the President/CEO. With this structure in place, it is imperative that the organization has an active, impartial, and full complement of board members to ensure that organizational and financial decisions are made with adequate oversight and approval. A review of the board meeting minutes, bylaws, and discussions with the President/CEO revealed the following areas of concern:

- **The organization had an insufficient number of board members to fulfill its responsibilities.** The board currently consists of four (4) members, including the President/CEO of the organization. The *Standards of Excellence* recommends that the board should have no fewer than five (5) directors with a preference of seven (7) or more directors. Additionally, 4Ever Unified Inc.'s own by-laws require the organization to have at least five (5) board members.
- **The organization's Board of Directors lacks independence.** The individuals on the

Board are the same individuals that run the day-to-day operations of the organization. The *Standards of Excellence* recommend that the board consist of independent and unrelated directors.

- **The board conducted an insufficient number of board meetings.** During a review of the board meeting minutes, we noted that the board conducted one (1) meeting during calendar year 2022. As such, the organization did not meet a minimum of four (4) times a year, as recommended by the *Standards for Excellence* and required by its own by-laws. Furthermore, the discussions during the meetings did not address the organization's financial-related topics (i.e., review and approval of transactions or program objectives) as outlined in the organization's bylaws.

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

FINDING 2: Lack of Segregation and Independence

During the review of 4Ever Unified Inc.'s organizational structure, written board meeting minutes, and discussions with key personnel regarding their duties and responsibilities, we determined that a lack of segregation of duties, independence, and potential conflict of interest exists in the following instances:

- The President/CEO serves as part of senior management in addition to serving on the board. This dual responsibility creates a lack of independence and provides the officer with undue influence as it pertains to determining organizational goals, objectives, and the organization's overall direction.
- Inquiries with the President/CEO revealed that her duties included maintaining custody of funds, overseeing (through a third-party individual) the recording of all expenditure transactions in the organization's accounting system, and compliance with IRS reporting. Such practice presents a segregation of duties concern. It is important to note that the risk of fraud increases when a lack of segregation exists (i.e., an individual with the sole responsibility of two conflicting tasks).
- The third-party individual the organization utilizes to conduct its accounting and financial-related duties is a friend of the President/CEO and provides her services in a non-paid capacity.

As a recommendation, *Standards for Excellence* state, "*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 United States General Accountability Office Standards for Internal Control publication also state that Management should consider segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not

practical, Management should design alternative control activities to address the risk of fraud, waste, or abuse.

FINDING 3: Lack of Expenditure Documentation

To determine whether 4Ever Unified Inc.’s grant expenses were adequately supported with appropriate documentation (e.g., invoice, receipt, contract/agreement, etc.) and aligned with its mission, we utilized the organization’s general ledger, for the period of January 1, 2022, through December 31, 2022 and selected 27 transactions totaling, \$35,701 for testing. The organization could not provide supporting documentation (i.e., invoices/receipts) for 8 transactions totaling \$6,360. A summary of these unsupported transactions is as follows.

- \$2,400 cash paid to a Band for event entertainment;
- \$460 cash was spent to purchase gift cards for various events on 4 separate occasions. Additionally, the organization failed to maintain a listing of recipients of these gift cards.
- \$677 cash paid for food and drinks for an event;
- \$1,593 and \$1,230 spent via a debit card for catering related to an event(s). Summary receipts were provided to support the purchase; however, the provided receipts lacked detailed information with respect to the items and quantities purchased.

Due to the lack of appropriate documentation, we were unable to determine if each expense was consistent with the organization’s mission/purpose. However, the organization did provide fliers and photos from various events to support their occurrence.

In the publication on standards for internal controls (GAO-14-704G) (09/14), the Government Accountability Office (GAO) states the following regarding the appropriate documentation of transactions and internal control activities:

“Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals in either paper or electronic form. Documentation and records are properly managed and maintained.”

Additionally, 4Ever Unified Inc.’s grant applications required the organization to maintain documentation to support all grant expenditures as a condition of the grant award.

The failure to maintain adequate documentation to support grant transactions prevents an effective detailed review of these transactions, either from management when the transaction was initiated or during a subsequent audit, ensuring that they were reasonable, accurate, and aligned with the organization’s mission/purpose.

FINDING 4: Non-Compliance with Federal/State Regulations

During our review, we assessed whether the organization's operations were conducted in accordance with applicable laws, regulations, and policies. The results of our review revealed the following deficiencies.

Non-compliance with the Maryland Solicitations Act

The *Maryland Solicitations Act* requires that a charitable organization soliciting in Maryland file documents with the Office of the Secretary of State. Registration is required prior to the commencement of solicitations. To remain in compliance, a charitable organization must renew its registration annually. As of January 2023, we found that 4Ever Unified Inc. is no longer in compliance with the Maryland Solicitations Act because the organization has not submitted the information needed to maintain its annual registration.

Non-compliance with the Internal Revenue Code

The Internal Revenue Service requires that most charitable organizations file an annual information return, Form 990 or Form 990EZ, for organizations meeting an annual gross receipt threshold of more than \$50,000 or a Form 990-N for gross receipts of \$50,000 or less. Annual returns are due on the 15th day of the 5th month after the end of the organization's fiscal year. The organization provided a Form 990-N for calendar year 2021. However, we noted that the organization has not filed with the IRS for calendar year 2020, which was due in May or November (for extensions) of the following year. The organization was established on June 11, 2020, and therefore would have been required to file for calendar year 2020. According to the organization's President/CEO, total receipts for the organization in 2020 were less than \$50,000, which would have required the filing of Form 990-N.

In addition, A&I requested a W-9 form for all individuals/unincorporated entities that were paid \$600 or more during calendar year 2022 in anticipation of the required filing of Form 1099-NECs in 2023. The organization did not provide these forms because, according to the CEO, they were unaware of Internal Revenue Service (IRS) Form 1099-NEC reporting requirement.

According to the Internal Revenue Service (IRS) Guidelines, a Form 1099-MISC/1099-NEC must be completed for any individual or non-incorporated entity that receives income totaling \$600 or more for services performed by a non-employee conducting business during the calendar year.

The failure to comply with Federal and/or State regulations may result in the assessment of penalties/fees, withdrawal of tax exemption status, or the discontinuance of County funding.

FINDING 5: Lack of Written Policies and Procedures

A&I requested all written policies and procedures pertaining to the accounting and operational practices within the organization. As a result, we found that the organization did not have any

written policies and procedures to address these fundamental areas.

The *Standards for Excellence* states, “*An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization’s allocation of resources to effectively and efficiently fulfill its mission.*”

Consequently, the lack of written policies and procedures can result in improper practices, inconsistent approaches based on the personal preference of staff, and a lack of accountability, which can lead to organizational inconsistencies and inefficiencies.

FINDING 6: Numerous Cash Withdrawals

A review of 4Ever Unified Inc.’s bank statements revealed several cash withdrawals. The details of these transactions are as follows:

- 16 transactions (ranging from \$340 to \$5,300) totaling \$24,777, where cash was accessed via an ATM or bank withdrawal. According to the organization’s President/CEO, these withdrawals were completed to either reimburse her for expenses that were incurred using her personal funds or to provide payment for organizational expenses that were immediately forthcoming.
- A deposit of \$2,500 was made to the organization’s bank account on 9/21/2022. A review of supporting documentation and discussions with the organization’s President/CEO revealed that the deposit was unrelated to the organization. The deposit was payment to the organization’s President/CEO from the Prince George’s County Police Department for flyer design services rendered. A subsequent withdrawal of \$2,700 was made on 9/20/2022 by the President/CEO to retrieve these funds along with \$200 for reimbursement of organizational expenses paid using her personal funds. It is unclear why the payment was processed through the organization’s bank account instead of directly to the organization’s President/CEO.

Although, in most cases, the organization did provide receipts/invoices to support these payments, it is not recommended to conduct business using cash due to the lack of transparency of these transactions.

In the publication on standards for internal controls (GAO-14-704G) (09/14), the Government Accountability Office (GAO) states the following regarding physical control over vulnerable assets:

“Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use”.

RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, **we recommend that the County discontinue awarding 4Ever Unified Inc. grant funding at this time.**

If grant funds are to be awarded to 4Ever Unified Inc. in the future, the following recommendations should be implemented:

1. 4Ever Unified Inc. should evaluate and strengthen its Board of Directors to ensure the Board can provide the appropriate oversight of the organization by:
 - a) Increasing the number of board members to a minimum of five (5) **independent** individuals as required by its By-Laws and recommended by the *Standards of Excellence* to ensure equal representation of the organization's interest.
 - b) Conducting board meetings, a minimum of four (4) times a year to include discussions about operations, budget, and expenditure approval (due to the lack of staffing to support adequate segregation of duties) and other financial-related topics.
2. 4Ever Unified Inc. should maintain appropriate documentation to support revenue and expenditure transactions, including but not limited to detailed receipts/invoices and detailed information regarding the recipients of gift cards. Documentation should be maintained for at least three years after the tax return is filed, per IRS guidelines.
3. 4Ever Unified Inc. should ensure that it is in **full compliance with all local, state, and federal laws** that apply to the organization.
4. 4Ever Unified Inc. should establish written policies to address the request and authorization of financial transactions or receipts and disbursement procedures.
5. 4Ever Unified Inc. should avoid using cash withdrawals to conduct its normal business transactions due to the lack of inherent transparency. Instead, all transactions should be conducted by way of a check made payable to a vendor/individual or bank card linked to the organization's bank account so that vendor and payor information is documented during the transaction process. The practice of securing cash to facilitate organizational transactions should be discouraged or limited to only emergency circumstances. Furthermore, the comingling of personal and organizational financial activity should be avoided.

Schedule 1

**4EVER UNIFIED INC.,
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
DECEMBER 31, 2022
(CASH BASIS-UNAUDITED)**

<u>2022</u>	
REVENUES:	
Prince George's County Grant/Sponsorships	\$ 35,327
Other Income	<u>16,808</u>
Total Revenues	<u><u>\$ 52,135</u></u>
EXPENDITURES:	
Equipment Lease & Maintenance	\$ 2,022
Bank Fees & Service Charges	189
Operating Expenses	38,268
Supplies & Materials	10,758
Advertising & Marketing	439
Shipping & Postage	220
Other Miscellaneous Expenses	<u>176</u>
Total Expenditures	<u><u>\$ 52,072</u></u>
Excess Revenue Over/(Under) Expenditures	<u><u>\$ 63</u></u>