

Children and Parent Resource Group, Inc.

**GRANT AUDIT
JANUARY 2023**

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

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	
Executive Summary.....	2
Grant Audit Report.....	3
Audit Recommendations.....	11
Schedule 1: Statement of Activities.....	13



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

Children and Parent Resource Group, 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 grant to Children and Parent Resource Group, Inc. (CPRG) that led us to question whether County grant funds were 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 Children and Parent Resource Group, Inc. at this time. Furthermore, we recommend that the Prince George's County Government take the necessary steps to retrieve the grant funds awarded to CPRG.

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.

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

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Deneen D. Mackall, MBA, CFE, CIA
Senior Auditor

Executive Summary

Children and Parent Resource Group Inc., (“CPRG”) received a total of \$100,000 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 CPRG 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 CPRG at this time. A summary of these issues is provided below, and further details can be found in the following report.

- CPRG may not have provided all of the services for which grant funds were awarded, as agreed upon in its grant application.
- CPRG paid \$48,500, or 49% of County grant funds to a for-profit organization owned by the Executive Director/Founder’s husband. The organization also utilized \$41,500, or 42% of County grant funds to pay two other for-profit organizations located outside of the United States of America.
- The CPRG Board of Directors did not provide adequate board oversight with respect to having an adequate number of independent board members and reviewing expenditure information.
- Lack of auditor independence - CPRG solicited the services of a CPA firm to perform multiple conflicting services, including reporting transactions, reconciliations, payroll, tax preparation, and financial statement audits for the organization.
- Inadequate bank reconciliations - CPRG did not properly document all financial transactions, resulting in the organization recording a journal entry in the amount of \$105,843 to ensure monthly reconciliation report and check register totals agreed with the bank statement balance.
- CPRG did not maintain adequate records and documentation to support grant expenditures.

Overall Audit Rating	Total County Grant Funding
	\$ 100,000

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

Children and Parent Resource Group, Inc.

Children and Parent Resource Group Inc., (“CPRG”) is a 501(c)(3) non-profit organization incorporated and registered with the State of North Carolina since 2006. The organization’s reported mission is to strengthen educational, social and moral outcomes of children, youth and families. CPRG reports their mission is accomplished by providing easy and free access to resources for the clients and families it serves. Through 3-D, interactive, edu-tainment programs, consistently delivered to teens in schools every year, CPRG reports that it attempts to capitalize on teenagers’ natural pursuit of excitement and teaches them to:

- Choose wisely in the many life endangering activities luring them;
- Create exciting positive pursuits for their lives in place of negative ones; and
- Succeed with a new suite of life and business skills.

The organization reports having other programs to include marriage and family programs, safe driving, and alcohol/drug programs. The organization reported that it provides services specifically to Prince George’s County through the Life Changing Experience program. In support of its mission, CPRG was awarded two (2) Non-Departmental Grants during FY 2019 and FY 2020 from the County Council. The two grants totaled \$100,000. A summary of the grants awarded are as follows:

Disbursement Date	Grant Type*	Grant Award Amount
03/08/19	Non - Departmental	\$ 50,000
11/15/19	Non - Departmental	50,000
Total Awarded		\$ 100,000

** Non-departmental grants are sourced from the non-departmental section of the County budget. Non-departmental grants are designated and allocated by the County Council.*

CPRG reported that the business and affairs of the organization are managed by a Board of Directors (the Board), who serve without compensation. The organization reported in their grant applications that the following individuals are on the Board:

- Mrs. Tamika Bain, Executive Director & Founder
- Ms. Orvina Wright, Treasurer
- Mrs. Lisa Reddicks, Secretary

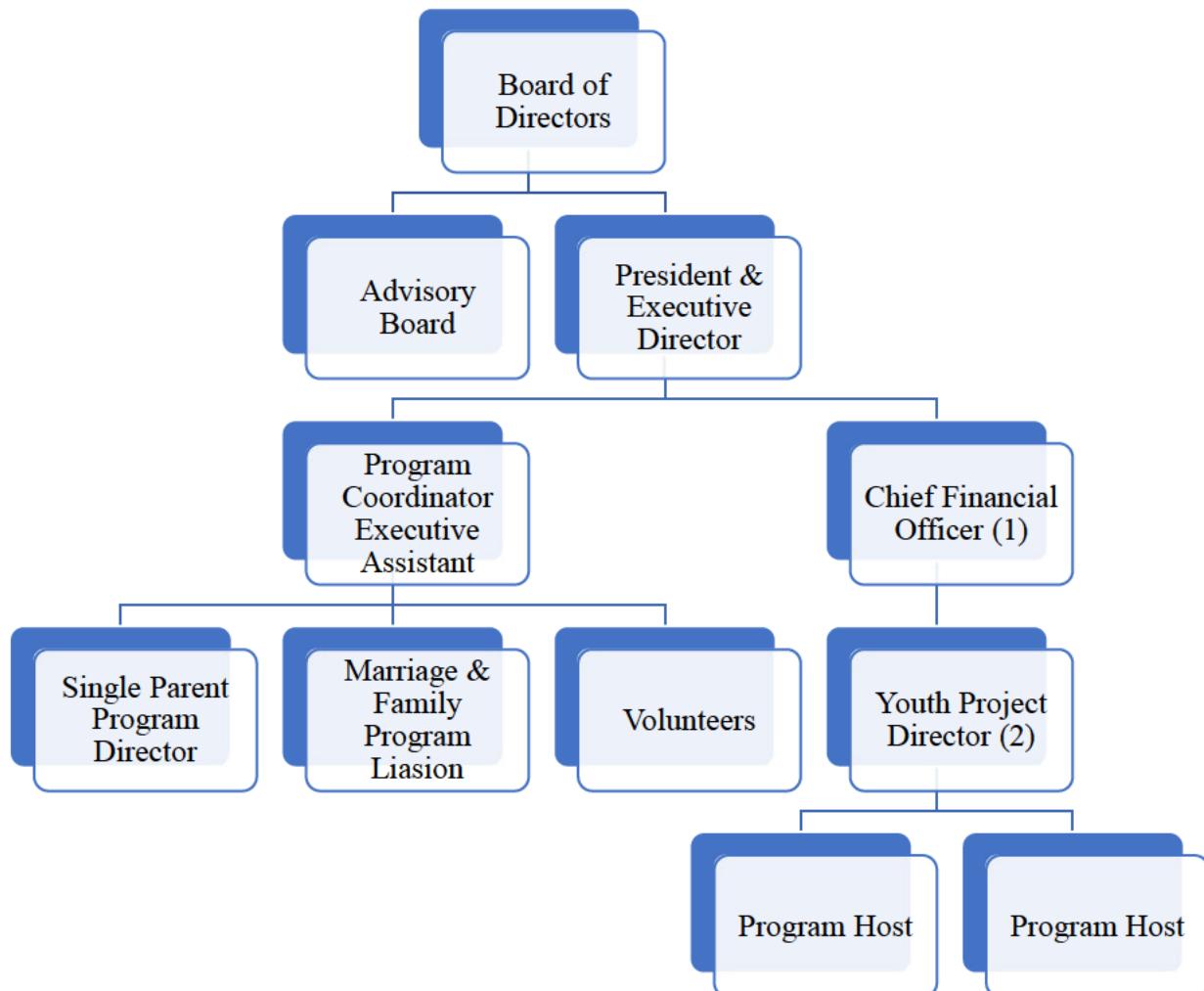
CPRG reports that the Board of Directors are involved in the oversight of financial and operational matters. Financial functions and responsibilities are segregated between the Board of Directors, Executive Director, and a newly added Chief Financial Officer (as of May 2020).

The organization also utilizes the assistance of the following advisors and consultants:

- [REDACTED] Consultant
- [REDACTED], Advisor
- [REDACTED], Advisor
- [REDACTED] Advisor
- [REDACTED] Advisor

CPRG is managed by the Executive Director and employs one (1) Virtual Assistant. The Executive Director and Virtual Assistant are established as salaried positions. The organization has eight (8) contractors to fulfill daily operations. A current overview of CPRG's organizational structure is shown in Figure I below.

Figure I



(1) As of May 2020

(2) As of October 2020

CPRG reported that it provided the following services under the Life Changing Experience program during FY 2019 and FY 2020:

- ***Addicted to Life (A2L)***

- The program demonstrates the damages that drugs and alcohol can create with realistic storytelling, journalistic reporting and multisensory technology including 3D animation. Students are taken on a scientific journey through the body as they learn how different drugs affect the central nervous system and change the way a person thinks, feels or behaves.

- ***Cinema Drive – One Theme Up To 6 Experiences***

- **The 3D Experience - Resourcefulness:** Students learn the basics of the subject of limited resources such as “What happens to resources after they are used once?” and “What natural energy sources do we have at our disposal, and how can we best use them?”
- **The Dark Experience – Night Terror:** Students experience the year 2035. Every function of daily living relies on electricity: eating, entertaining, traveling, even breathing.
- **The Inspiration Experience – Bright Ideas:** The experience shows students that doing something to improve the quality of life in the future also improves our quality of life today.
- **The Motion Experience – Don’t Stop the Music:** Students virtually experience the plants and the animals. Top quality surround sound systems will recreate different environments and eco – systems, to show how plants, animals and people are dependent on each other.
- **Interactive – The Green Challenge:** Through an exciting trivia competition, students will examine the absorption of knowledge.

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 CPRG 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 1, 2018 through June 30, 2020, totaling \$100,000.

The criteria used to evaluate the audit evidence gathered included:

- Grant applications submitted by Children and Parent Resource Group, Inc.;

- The United States General Accountability Office Standards for Internal Control publication (GAO-14-704G);
- Maryland Nonprofit's Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector; and
- Public Company Accounting Oversight Board: Auditing Standards

The audit included interviews with key personnel of Children and Parent Resource Group, 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
- Review of available cash receipts and disbursements documentation; and
- Review of available minutes for meetings held by the Board of Executive Directors.

A&I examined the books and records maintained by CPRG 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 several instances that led us to believe that County grant funds were not used for their intended purpose. We also noted areas of improvement related to inadequate Board oversight, inadequate monthly bank reconciliation, and apparent conflicts of interest. The areas of improvement are discussed in further detail below.

It is of note that CPRG operates and reports on a September 30 fiscal year-end, however our examination was conducted on a June 30 fiscal year-end for consistency with grant disbursements. For report purposes, the attached Statement of Activities (**Schedule 1**) is presented on a fiscal year-end September 30 consistent with CPRG operations.

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.

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: Performance of Agreed-Upon Services Could Not Be Confirmed

A&I reviewed the Life Changing Experience Community Education Completion forms, individual contracts between the organization and a sample of 12 out of 18 Prince George's County Schools, for services to be provided during the audit period of July 1, 2018 through June 30, 2020. The contracts detailed the scope of work, equipment setup, and removal responsibilities that the organization would provide to the school(s). Authorized signatures on the agreement appeared to have confirmed that the LCE Community Education Project series was completed on the specified dates at no cost to the participating school.

To independently confirm that agreed-upon services were performed, A&I contacted school personnel at the 12 schools included in our sample to inquire as to whether the school received the programs described on the completion forms. As a result, eight (8) schools **stated they had no knowledge of the organization and/or have not received any service or programs from the organization**. Two (2) schools stated they had received services from the organization. Results from the remaining two (2) schools were determined inconclusive due to conflicting responses when compared to the initial feedback.

Overall Results:	Percentage
Services Could Not Be Confirmed (School Unaware of Organization)	8 67%
Services Confirmed By School	2 17%
Inconclusive Results	2 17%

Given the results, it appears that the CPRG may not have provided all of the services for which County grant funds were awarded, as agreed upon in its grant applications.

Finding 2: Majority of Grant Funding Paid to For-Profit Organizations

A&I reviewed expenditure invoices for the period July 1, 2018 through June 30, 2020 (FY 2019 and FY 2020) and noted that the organization paid \$48,500, or 49% of County grant funds to Mobile Cinema Park, Inc. (MCP), a for-profit organization. A&I noted that the organization's Founder/Executive Director, Mrs. Tamika Bain is related to the owner of Mobile Cinema Park, Inc. (husband/wife relationship). Mobile Cinema Park, Inc. provides multimedia contract program services on behalf of the organization.

This relationship was disclosed in the organization's financial statement audit report (dated November 2019) and the 990 (FY 2018). It should be noted that disclosing the relationship lends transparency. However, there remains an element of concern since the funds were paid to a

company owned by the Executive Director's immediate family member, giving the appearance that the non-profit may have been established specifically as a pass-through. The Executive Director disclosed through the February 2020 meeting minutes that the related party relationship with MCP has been dissolved. No documentary evidence was available for A&I to corroborate the validity of the disclosure.

In addition, the organization also utilized grant funds to pay two (2) other for-profit organizations, Life Changing Experience and Next Play, Ltd., which are located outside of the United States of America. For fiscal years 2019 and 2020, the organization paid a total of \$41,500 or 42% of the grant funds awarded to these vendors.

Only \$10,000 (10%) of the total County grant funds were paid to the non-profit organization. It should be noted that the Council grant program explicitly states that grant funds cannot be used to benefit a for-profit entity.

Finding 3: Inadequate Board Oversight

Board minutes were reviewed for the period July 1, 2018 through June 30, 2020. We noted that the organization had an insufficient number of board members to fulfill its responsibilities and foster a viable organization. The Board currently consists of three (3) members which includes the Executive Director/Founder. As noted in the organization's bylaws the board of directors of the organization shall consist of not less than three nor more than seven individuals, and one-third of the directors in the office shall constitute a quorum for the transaction of business at any meeting of the board of directors. According to the Standards of Excellence "The board should have no fewer than five (5) independent and unrelated directors. Seven (7) or more directors are preferable." Additionally, a quorum of one (1) board member (1/3 of the directors in office) could leave important decision-making to one individual.

When establishing the organization's bylaws, it was determined by the organization that the number of board members selected was enough to produce efficient actions/decision making for the organization. As such, the integrity and quality of the decisions may be compromised with a low number of members.

In reviewing the organization's bank statement and check registers for the audit period, A&I noted that the organization made many purchases to major retailers/department stores such as, but not limited to, Neiman's, Macys, Tory Burch, and Coach. The organization expended \$6,599 (2018), \$6,455 (2019), and \$2,539 (2020) on items from these retailers. While the organization was able to provide documentation detailing how the County grant funds were utilized; A&I was unable to verify the nature of the department store purchases or unable to determine if the purchases were in line with the organization's mission/objective.

Additionally, in discussions with the Executive Director A&I was informed that the Board does not review expenditures on a monthly or quarterly basis. A lack of oversight such as this lends the opportunity for unauthorized purchases to be made for personal consumption.

Maryland Nonprofits 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.” The Internal Revenue Service also encourages the Board of Directors to ensure that the organization’s financial resources are used to further charitable purposes and are appropriately accounted for by regularly receiving and reviewing up-to-date financial statements.

According to the General Accountability Office Standards for Internal Control (GAO), “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”

It is necessary for the organization to inform the Board of monthly or quarterly expenditures for the purpose of full transparency. Establishing these controls are critical in minimizing the risk of undetected errors, fraud, waste, and/or misuse of the organization’s financial resources.

Note: Per the organization, in January 2021 an additional board member has been added to the organization. The board continues to actively seek additional board members as per the organization’s bylaws.

Finding 4: Lack of Auditor Independence

During the audit, the Executive Director informed A&I that the organization uses the services of a Certified Public Accounting (CPA) firm, Breslow Starling Financial Advisors. The firm provides a variety of services to the organization to include financial advising/consulting. We noted a potential conflict of interest that may lead to an impairment of independence due to multiple conflicting services provided by the firm to include reporting transactions, reconciliations, payroll, tax preparation, and financial statement audits of the organization.

The auditing standards established by the Public Company Accounting Oversight Board (PCAOB) states in part that “...The financial statements are management's responsibility. The auditor's responsibility is to express an opinion on the financial statements. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.” As such, “The auditor's knowledge of these matters and internal control is limited to that acquired through the audit.”

Overlapping services provided to the organization can impair the auditor's judgement and present the ability for the firm to audit its own work.

Note: A&I was informed by the CPRG that the accounting firm does not make management decisions, the board is ultimately responsible for tax and bookkeeping operations. Additionally, since the time of the audit review CPRG has hired a Chief Financial Officer (May 2020) to provide additional oversight and financial internal controls.

Finding 5: Inadequate Bank Reconciliations

In reviewing the organization's bank statements, check registers, and supporting reconciliation documents for the period July 1, 2018 through June 30, 2020, we noted that the organization prepares monthly bank reconciliations. However, we also noted that the organization does not properly document all transactions occurring throughout the reporting period. For instance, outstanding checks or checks in-transit were not identified. Additionally, a journal entry in the amount of \$105,843, dated 12/2018 was recorded as an open balance adjustment. A&I was unable to reconcile the journal entry noted on the reconciliation detail to the check register and bank statements.

Per the organization's accounting firm, A&I was informed that the entry was not a cash deposit and therefore would not appear as a recorded transaction on the bank statements. However, A&I noted that the \$105,843 appeared to be carried forward on the reconciliation month after month. It appeared that the journal entry was used to ensure that the monthly reconciliation report and check register totals tied to the beginning balance noted on the next month's bank statements.

As a guiding rule the Maryland Nonprofits Standards of Excellence states in part that "... Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting..."

The GAO states that transactions should be "promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records."

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 6: Lack of Adequate Recordkeeping and Documentation to Support Grant Funds

A&I tested a total of 10 or 100% of the expenditures related to the grant funds. We noted that three (3) out of 10, or 30% of the expenditures did not have supporting documentation (invoices), therefore A&I was unable to verify the expenditures. We also noted that nine (9) out of 10, or 90% of the expenditures, were inadequately supported, inaccurately categorized in the accounting system, and were not present on the bank statements. We were unable to locate these transactions in the bank statements as a result of missing transaction dates on the program expenditure register, and/or the expenditure invoice provided by the organization appeared to be generated after A&I requested documentation.

According to the GAO, The United States General Accountability Office Standards for Internal Control publication "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

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.

RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, we recommend that the County discontinue awarding grant funds to Children and Parent Resource Group, Inc. at this time. Furthermore, we recommend that the Prince George's County Government require the organization to return all grant funds awarded to CPRG.

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

1. Children and Parents Resource Group, Inc. should utilize vendors who are independent of the organization, to include the Executive Director or Board Members, to avoid a conflict of interest, whether real or perceived.
2. Children and Parent Resource Group, Inc. should establish a firm oversight body by implementing the following:
 - a. Increase the number of Board members as recommended by the Standard of Excellence to ensure equal representation of the organization's interests.
 - b. Consider the need for members of the Board to have specialized skills to enable discussion, offer constructive criticism to management, and to make appropriate oversight decisions.
 - c. Ensure that the Board reviews expenditures on a monthly and/or quarterly basis to ensure that expenditures are comprehensive and realistic based on the organization's mission.
3. Children and Parent Resource Group, Inc. should ensure that a financial statement audit is performed by a firm independent of the organization.
4. Children and Parent Resource Group, Inc. should develop a sound internal control system relating to adequate record keeping, reconciliation, and proper segregation of duties.

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

CHILDREN AND PARENT RESOURCE GROUP, INC.
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
SEPTEMBER 30, 2019 and JUNE 30, 2020 *
(ACCRUAL BASIS)

	<u>2019</u>	<u>2020</u>
REVENUES:		
Prince George's County Grant	\$ 50,000	\$ 50,000
Other Revenue Sources	662,209	710,216
Total Revenues	<u>\$ 712,209</u>	<u>\$ 760,216</u>
EXPENDITURES:		
Accounting/Law Services	\$ 8,940	\$ 13,232
Banking/Service Fees	6,486	1,124
Program Expense	755,170	489,866
Registration	28,308	8,069
Salary/Wages	63,608	35,626
Software	5,749	1,725
Supplies/Office Equipment	648	330
Overhead	5,025	-
Unknown	162,035	45,240
Total Expenditures	<u>\$ 1,035,969</u>	<u>\$ 595,212</u>
Excess Revenue Over/(Under) Expenditures	<u>\$ (323,760)</u>	<u>\$ 165,004</u>

* Revenues and expenditures are calculated to the conclusion of the review period (June 30)