

BLUE H.E.L.P., INC.

HONOR BOX FORENSIC INVESTIGATION

FOR THE THREE YEARS ENDED DECEMBER 31, 2019

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Greenberg, Rosenblatt, Kull & Bitsoli, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Blue H.E.L.P., Inc.
Auburn, Massachusetts

Re: Forensic Investigation Report

To the Board of Directors:

This report documents a summary of our procedures performed under the terms of our engagement letter dated September 3, 2020 and the resulting findings.

We have performed this engagement in accordance with the Statement on Standards for Forensic Services (SSFS) No. 1 as promulgated by the American Institute of CPAs (AICPA). While our work involved analysis of accounting records, our engagement did not constitute an audit in accordance with generally accepted auditing standards, an examination of internal controls, or any other attestation or review service in accordance with standards established by the AICPA. Had other procedures been performed, other matters may have come to our attention that may have affected the findings reported herein.

This report is solely for the use of the Board of Directors of Blue H.E.L.P., Inc.

Greenberg, Rosenblatt, Kull & Bitsoli, P.C.
GREENBERG, ROSENBLATT, KULL & BITSOLI, P.C.

Worcester, Massachusetts
November 5, 2020

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EXECUTIVE SUMMARY

Beginning in August 2020, a former member of the Organization's Board of Directors (the Accuser) alleged the President and Co-Founder (the President) had used restricted Program funds for non-Program related expenditures.

In response to these allegations, the Board engaged us to determine whether the Organization had properly categorized Honor Box donations as restricted and whether those funds were misappropriated during the period from January 1, 2017 through December 31, 2019 (the Period).

Based on our review of accounting and banking records, the Organization disbursed \$17,331 for Program expenditures during the Period while receiving \$9,280 in restricted donations. However, Program funds appear to have initially been used for other purposes in 2017 and 2018, with Program expenditures eventually catching up to and exceeding donations in 2019 (Finding #1).

In addition, we noted several misclassifications of Program donations/expenditures within the accounting records (\$1,323 in total, Finding #2) and eleven instances where the Organization's bank card was used for purchases on the President's personal Amazon account (\$702 in total, Finding #3).

Management's responses to and our recommendations for each of these findings can be found in Exhibit 2.

PROCEDURES

Our procedures included interviewing Organization volunteers and reviewing corroborating evidence, including online order detail reports, general ledger details, contribution reports, bank statements, emails, third party donor confirmation responses and other supporting documentation.

Our investigation was limited to the areas and Period described and limited to the documents available and the interviews of volunteers performed. Had we reviewed other periods or areas or documents, other matters may have been identified warranting the Organization's response.

The following outlines the limited scope procedures applied during the engagement:

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PROCEDURES (Continued)

Donations:

1. Validate the Organization had properly classified Program donations as restricted:
 - a. Obtain donation reports from the Organization's accounting system; reconcile reports to the underlying general ledger donation account balance for each year in the Period.
 - b. Examine Program donation amounts and volume; investigate potentially misclassified Honor Box donation amounts to determine proper general ledger classification.
 - c. Select a sample of 25 non-Program donations and independently confirm the amounts and restriction of donations, if any, with third party contributors.
2. Compare total Program donations to total Program expenditures by year and in total.

Expenditures:

3. Obtain an understanding of the Honor Box content sourcing and shipping process.
4. Obtain Program expenditure data directly from vendor websites.
5. Compare Program expenditure data to the Organization's accounting records and investigate discrepancies, if any.
6. Select a sample of 25 Honor Boxes and assess their validity by performing the following:
 - a. Assess Honor Box contents based on order data, including total dollar value of contents.
 - b. Validate Honor Boxes were shipped to non-volunteer addresses.
 - c. Verify Honor Boxes were sent to the families or police departments of deceased officers by comparing obituary information to shipping dates and addresses.
7. Calculate Program expenditures by year and in total for the Period.

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 EXHIBIT 1 - HONOR BOX DONATIONS AND EXPENDITURES BY YEAR
 FOR THE YEARS ENDED DECEMBER 31,

	<u>Total</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Honor Box expenditures	\$ 17,331	\$ 14,679	\$ 2,652	\$ -
Honor Box donations	<u>9,280</u>	<u>1,640</u>	<u>4,765</u>	<u>2,875</u>
Expenditures over (under) donations	<u>\$ 8,051</u>	<u>\$ 13,039</u>	<u>\$ (2,113)</u>	<u>\$ (2,875)</u>

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EXHIBIT 2 – SCHEDULE OF FINDINGS AND RECOMMENDATIONS
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Finding #1: Use of Restricted Funds

Condition:

As presented on Exhibit 1, Honor Box expenditures exceeded Program donations over the Period examined.

Effect & Criteria:

Although Program expenditures exceeded donations over time, the expenditure of restricted funds for other purposes at any point in time could lead to noncompliance with Massachusetts General Law (M.G.L.) and impact tax exempt status.

M.G.L. Ch. 180A, Sect. 2(a) states: *Subject to the intent of a donor expressed in a gift instrument*, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.

Management's Response:

Management acknowledges the expenditure of Honor Box donations for other purposes in 2017 and 2018 and characterizes these actions as a mistake due to the Organization being newly formed and unaware of the specific requirements for restricted funds. Management initially presumed Program donations could be temporarily used for other expenditures as long as Honor Box expenditures outpaced donations over time.

Recommendation:

We recommend management review donations for any donor-imposed restrictions, segregate funds accordingly, and implement controls to ensure Program funds are spent only on Honor Box related expenditures.

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Finding #2: Misclassification of General Ledger Amounts

Condition:

During 2019, two Honor Box donations totaling \$310 were recorded to the General Fund. In addition, six expenditure transactions totaling \$837 and two donation transactions totaling \$176 were improperly recorded to the Honor Box Fund expenditures.

Effect & Criteria:

Improper classification of general ledger entries could lead to misstatements on Form 990, financial statements and Form PC.

Internal Revenue Service Compliance Guide for 501(c)(3) Public Charities states: A public charity must maintain books and records to show it complies with tax rules. This requires the charity to document the source of receipts and expenditures reported on Form 990. Additionally, M.G.L. Ch. 12, Sect. 8F, requires annual submission of audited or reviewed financial statements along with Form PC.

Management's Response:

The Organization did not have any employees or administrative assistance during the Period under investigation. Accordingly, the President, with limited accounting experience, maintained the books and records, which led to these accounting errors.

Recommendation:

We recommend general ledger reports, financial statements and reconciliations be reviewed on a monthly basis for completeness and accuracy. In addition, we recommend the Organization attempt to find a volunteer treasurer with an accounting background.

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Finding #3: Use of Organization Bank Card on Personal Amazon Account

Condition:

Eleven orders, totaling \$702, were purchased through the President's personal Amazon account and recorded in the general ledger.

Effect & Criteria:

The lack of internal controls over cash custody and procurement could lead to misappropriation of Organization funds.

M.G.L. Ch. 180A, Sect. 2(c)(1), requires costs to be appropriate and reasonable in relation to the assets, the purposes of the institution and the skills available to the institution.

Management's Response:

Due to the Organization being staffed by volunteers, business is frequently conducted on personal laptops. In the instances noted above, the President inadvertently made Organizational purchases using her Amazon account.

Recommendation:

We recommend the Organization formally prohibit the use of the Organization's bank or credit cards on personal online platforms or for other personal use and implement controls requiring the periodic review of the Organization's expenditures.