



YOUTH POLICY INSTITUTE AUDIT FY17-18

THE AUDIT AND ISSUES IT UNCOVERED

The audit of YPI's financial statements and internal financial controls for the fiscal year ended June 30, 2018, was just completed. It is a troubling picture that presents serious challenges for YPI's new management team and Board of Directors.

Key take-aways from the audit are:

- That YPI had seriously insufficient financial controls throughout its operations.
- That YPI ended FY 2017/2018 with a net loss of \$1,326,803 and with current liabilities exceeding current assets by \$3,724,192.
- That it was necessary to restate results for FY 2016/2017 because transactions had been improperly recorded due to inadequate controls over financial reporting and grant management.
- That YPI made unauthorized payments to its previous President and CEO Dixon Slingerland and will seek reimbursement of those funds.
- That YPI's current management is moving aggressively to cure these issues.

The audit also concluded that there is substantial uncertainty about YPI's ability to continue as a going concern. YPI's management and Board of Directors are exploring all options regarding the future. Our programs help youth, families and communities overcome intergenerational poverty. Our overarching goal is to ensure that those programs continue uninterrupted in the schools and communities we serve. We are working aggressively to ensure continuity of these critical programs, either under the banner of YPI or by having other organizations assume responsibility for this important work.

WHAT WE'RE DOING ABOUT IT

The Board became aware of potential problems this April after it hired a new independent outside auditor, Armanino LLP. Immediately after learning of these potential problems, the Board formed a Special Committee to investigate the issues. The Special Committee in turn engaged the law firm Covington & Burling LLP, which retained the forensic accounting firm Grobstein Teeple LLP, to assist with the investigation. On July 24, the Board hired Dan Grunfeld, who was previously unaffiliated with YPI, as Executive Chair. On Sept. 23rd, the Board terminated Slingerland as President and CEO and appointed Grunfeld to the additional role of Interim CEO.

Actions taken by the new management team in recent months to correct problems include strengthening safeguards and controls to ensure that funds are properly accounted for and that expenditures and reimbursements are appropriately reviewed and approved.

Among the actions underway are:

- A system of rigorous internal controls to address deficiencies raised by the auditor and others.
- Updated and revised policies and procedures for finance, accounting, and grants management.
- Newly implemented accounting systems.
- A multi-level pre-approval process prior to external reporting.
- Training to update finance staff on changes in government accounting standards and reporting requirements.
- A culture of rigorously self-reporting to funders of any issues that may emerge.
- Commitment to full cooperation with funders to investigate and remediate deficiencies.