COLORS OF SUCCESS
and
CENTER FOR FAMILY DEVELOPMENT

Findings and Recommendations
January 1, 2011 through August 15, 2012

Report No. 13-CCJ-A

Keeping Utah
Financially Strong

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REPORT NO. 13-CCJ-A

December 13, 2012

Colors of Success Board of Trustees
Center for Family Development Board of Trustees
and
Mr. Duane Bourdeaux, CEO
Colors of Success
2970 South Main Street, #300
Salt Lake City, Utah 84115

The Office of the State Auditor has conducted an investigation of certain financial activity of Colors of Success ("Colors") and the Center for Family Development ("CFD") for the period January 1, 2011 through August 15, 2012. We performed this investigation as a result of concerns reported to us by the Utah Commission on Criminal and Juvenile Justice (CCJJ). In accordance with *Utah Code* 67-3-1(4), the State Auditor has the authority to investigate these nonprofit entities because they receive public funds as federal, state, or local grants and contracts from the U.S. Department of Justice, CCJJ, state entities, school districts, Salt Lake City Corporation, etc.

We received cooperation from employees of Colors in obtaining Colors' financial records and other assistance with our investigation. However, from the outset of our investigation, our efforts to contact CFD and obtain their financial records were thwarted by Duane Bourdeaux's refusal to admit or accept responsibility for CFD. Mr. Bourdeaux indicated that CFD ceased operations in June 2012 and that he resigned as CFD's executive director in 2006 and claimed repeatedly that he worked for CFD as only a "consultant." As such, he insisted he did not have "the authority" to provide the records and refused to do so, claiming ignorance as to the location of the records, even though we believed they were located in the offices shared by CFD and Colors.

Mr. Bourdeaux deferred all CFD matters to Marcia Raso, operations director for both CFD and Colors. Ms. Raso was uncooperative with our investigation and, for the most part, unresponsive to our requests for records or other information regarding CFD. She provided limited records that were mostly nonfinancial in nature or for the wrong time period. We believe that Mr. Bourdeaux and Ms. Raso intentionally withheld the financial records of CFD from us, seemingly in hopes of preventing a thorough and conclusive investigation. Because we were unable to obtain the financial records from CFD, the only records we relied on for our testwork were obtained directly from the bank.

Despite Mr. Bourdeaux's insistence that he is only a "consultant" for CFD, there are several indications that Mr. Bourdeaux was responsible for CFD as follows:

- The Articles of Incorporation filed with the Utah Department of Commerce list him as the Registered Agent of CFD as signed and dated by him in November 2009.
- The Department of Commerce records also show Mr. Bourdeaux recently resigned as the Registered Agent effective July 15, 2012, which closely coincides with the date that Mr. Bourdeaux claims CFD ceased operations, that being the end of June 2012.
- Mr. Bourdeaux signed and was reported as executive director on CFD's IRS Form 990, Return of Organization Exempt From Income Tax, for fiscal years 2008, 2009, and 2010.
- Mr. Bourdeaux signed CFD's contract and grant documents with the State of Utah for the periods ranging from February 2009 through January 31, 2013.

Also, CFD Board members, an employee, and a former employee have represented to us that Mr. Bourdeaux was in charge of CFD, giving the following examples: that he "hired and fired employees," "runs the place," "calls the shots," "conducted and interacted with the Board [of Trustees]," "conducts staff meetings," and "was actively involved, but not on paper."

In addition, there was a close relationship between Colors and CFD, establishing them as at least related parties, as illustrated in the following examples:

- According to Colors Board minutes, the Colors Board "would assist with the fiduciary responsibility of loaning [CFD] financial resources." One Colors Board member stated that at one time "they [Colors and CFD] were one and the same" as far as he was concerned.
- Colors loaned CFD money.
- Ms. Raso worked full-time at Colors, claimed to have had sole administrative responsibilities at CFD, and received salaries from both entities.
- Colors and CFD shared the same office space.
- At least 5 CFD employees became Colors employees about two months prior to CFD's closure.

Therefore, we have concluded that Mr. Bourdeaux is responsible for CFD. Because he is responsible for both entities and the two entities are related, we are reporting the findings and recommendations of both entities in this report as we believe it is important for the Colors Board, the most recent CFD Board, and Mr. Bourdeaux to be aware of the potential impact of CFD findings on Colors. We believe Colors, which shows some indications of financial struggles, might be at risk for losing their tax exempt nonprofit status, could potentially be held liable for CFD's financial improprieties and other debt, and could be subject to other legal and financial ramifications.

FINDINGS SUMMARY AND OVERALL RECOMMENDATION

We have identified the following improprieties:

- Improper and potentially fraudulent cash withdrawals by Ms. Raso of $53,116 from CFD accounts and $4,760 from Colors' accounts.

- Improper and potentially fraudulent disbursements to Ms. Raso of $16,533 from CFD and $7,074 from Colors.

- Improper and potentially fraudulent disbursements to Mr. Bourdeaux of $37,930 from CFD and $50,867 from Colors.

- Questionable loans by Colors to CFD for at least $39,724 which are still outstanding and on which Colors will probably never collect given that CFD has closed with significant debt and no money in their bank accounts.

- Inappropriate and potentially fraudulent costs charged to federal grants of $76,525 by CFD and $10,174 by Colors.

The serious lack of internal controls, such as lack of separation of duties; lack of documentation and approval of disbursements; improper bank reconciliations; inaccurate general ledger; and no reviews of processed disbursements, allowed the improper disbursements to occur and go undetected. A strong internal control environment is necessary to help ensure proper disbursements are made and to help prevent and detect misappropriations.

The inappropriate and potentially fraudulent disbursements could cause legal actions against Colors and jeopardize their opportunity to receive future grants/contracts. These improprieties could also be considered inurements in violation of section 501(c)(3) of the Internal Revenue Code and *Utah Code* 16-6a. Therefore, the status of Colors and CFD as tax exempt, nonprofit entities might be at risk.

Overall Recommendation:

We recommend that Colors: a) implement adequate internal controls as detailed in the findings and recommendations section of this report, b) seriously consider the propriety of any loans given in the future and take any necessary action in regards to the loans already given, c) seek reimbursement of improper and potentially fraudulent payments identified in this report, and d) charge only allowable costs to federal grants/contracts and reimburse the Department of Justice for its questioned costs.

No recommendation has been given for CFD since it is no longer in operation. However, we recommend that the applicable federal, state, or local entities seek reimbursement as considered appropriate.

PROCEDURES PERFORMED

We performed the following procedures:

1. We reviewed deposits to evaluate the type of funding received.

2. We reviewed certain disbursements, including credit card charges and transactions between Colors and CFD, for reasonableness and propriety.

3. We performed other miscellaneous procedures as considered necessary.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of Colors and CFD's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of Colors and CFD's internal control, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached findings and recommendations section of this report. We feel that all findings are key internal control weaknesses or important compliance issues to Colors and CFD.

This report is intended solely for the information and use of Colors and CFD and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

If you have any questions, please call Debbie Empey, Audit Director, at 801-538-1342.

Sincerely,

Auston G. Johnson

Auston G. Johnson, CPA
Utah State Auditor

cc: Michael Mower, Deputy Chief of Staff, Governor's Office
Jonathan Ball, Director, Office of Legislative Fiscal Analyst

COLORS OF SUCCESS
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JANUARY 1, 2011 THROUGH AUGUST 15, 2012

TABLE OF CONTENTS

COLORS OF SUCCESS
and
CENTER FOR FAMILY DEVELOPMENT

FINDINGS AND RECOMMENDATIONS
JANUARY 1, 2011 THROUGH AUGUST 15, 2012

COLORS OF SUCCESS

1. QUESTIONABLE DISBURSEMENTS AND OTHER CHARGES – COLORS

The following disbursements, withdrawals, and charges appear to be improper or questionable:

a. During the period of January 1, 2011 to August 15, 2012, Colors of Success ("Colors") made disbursements to Duane Bourdeaux, totaling $73,193, not including his regular payroll. Of these disbursements, $50,867 was improper or questionable as follows:

1) Mr. Bourdeaux received duplicate monthly auto allowance disbursements (normally $500/month) for the months of March, May, and July 2011, for a total overpayment of $1,500 (see Finding No. 4.b.). Also, auto allowances are taxable income as required by IRS Publication 15, Circular E; therefore, all auto allowances should have been included on Mr. Bourdeaux's W-2 and reported to the IRS, but were not.

2) Mr. Bourdeaux claimed that four disbursements, totaling $3,800, were for back salary payments; however, we question whether the disbursements are appropriate. Mr. Bourdeaux and Leticia Medina, the Colors executive director, explained to us that Mr. Bourdeaux had requested to be paid less than his approved salary in the prior year(s) when funds were tight but would periodically receive additional salary payments as requested to try to make up for the lost salary. We were unable to obtain any applicable accounting or payroll records or Board minutes to verify whether this was the case and whether the disbursements were proper. Colors was not tracking any back salary owed or payments made for back salary. Therefore, we question the propriety of the payments. In addition, because the payments did not go through the payroll process, we question whether the back salary payments were properly reported to the IRS. Because of the numerous disbursements to Mr. Bourdeaux lacking supporting document (see Finding No. 1.a.6), it would be difficult if not impossible to identify all back salary payments.

3) Two disbursements to Mr. Bourdeaux had conflicting supporting documentation. As supporting documentation for one disbursement of $2,500, we were given two different printouts of the disbursement record – one showing the disbursement was a "reimbursement" in the memo field and the other showing the disbursement was "a personal loan." Another disbursement of $60 was made for a gaming system subscription but the general ledger and check request described the disbursement as "tapes for staff eval." The conflicting information could be an attempt to try to hide the true nature of the expenses.

4) One unusual and questionable disbursement of $5,742 was made to Mr. Bourdeaux which is suspect because there is no supporting documentation, the disbursement was from the Zions Bank account rather than Wells Fargo as was normal practice, and three checks each for the same amount were received by Colors from Salt Lake City School District around the time of this disbursement. Thus, it appears that one of the checks from the School District was deposited and then the same amount was paid out to Mr. Bourdeaux. Therefore, we question the propriety of this disbursement.

5) Thirteen disbursements, totaling $37,265, were made to Mr. Bourdeaux without any supporting documentation, and one other disbursement for $1,110 was made with inadequate documentation. Eleven of those disbursements were checks signed by both Ms. Medina and Ms. Raso. The inadequate documentation included an altered receipt, pieces of various credit card statements, and unidentifiable sources of receipts. Because adequate documentation was not included, we could not determine whether any of these disbursements were valid business expenses.

b. During the period of January 1, 2011 to August 15, 2012, Ms. Raso received $12,731 from Colors, not including her regular payroll. Of these disbursements, $11,281 was improper or questionable as follows:

1) Two cash withdrawals were made by Ms. Raso in the amounts of $4,500 and $260, which were inappropriate. Good business practices prohibit cash withdrawals. Also, there was no supporting documentation for the cash withdrawals. The transaction of $4,500 was recorded in the general ledger as a general expense with a notation that it was a reimbursement to Mr. Bourdeaux; however, Mr. Bourdeaux did not recall the transaction. The transaction of $260 was not recorded in the general ledger. These transactions could be misappropriations.

2) Of 12 disbursements, totaling $4,494, made to Ms. Raso representing loans or "loan overpayments," 9 disbursements, totaling $3,044, were made without adequate supporting documentation, such as approved loan agreements and payment histories. The disbursements for "loan overpayments" were made by Ms. Raso to herself because she had supposedly paid back more on loans than she owed. Seven of the 12 disbursement checks were signed by Ms. Raso and appeared to have been stamped with Mr. Bourdeaux's signature and, and one of the 12 disbursement checks was signed by only Ms. Raso. Therefore, it is possible that Ms. Raso made the disbursements to herself without the knowledge of others. Although Colors determined that $911 of loan overpayments were made in error and established a

repayment plan through paycheck deductions, we determined at least $1,500 was still outstanding in loans as of her last paycheck in May 2012.

3) Six additional disbursements to Ms. Raso, totaling $2,777, had no supporting documentation; therefore, we were unable to determine the propriety of these expenses. Some of these transactions were also recorded incorrectly in the general ledger or were not recorded at all (see Finding No. 5.f).

4) One disbursement of $700 was made to an attorney on behalf of Ms. Raso for a personal expense and was supposed to be paid back through deductions from her paychecks but was not. The disbursement was also improperly recorded in the general ledger. The recording error allowed the true nature of the disbursement to be hidden and allowed the loan to go uncollected.

c. Ms. Raso charged $553 on her Colors-issued credit card in July 2012 after her employment was terminated in June 2012. These charges also exceeded the credit card limit of $1,000. The charges were incurred at convenience stores, a grocery store, and a fast food restaurant. Because Ms. Raso was no longer working for Colors, these charges are considered improper. These charges occurred because Colors did not ensure the credit card was returned and canceled upon Ms. Raso's termination. As a result, improper and possibly fraudulent charges were made. We also noted various other charges during the time period reviewed that appeared to be personal rather than business expenses; however, we did not investigate them. The outstanding balance on this credit card was $1,087 as of July 26, 2012.

d. A cash withdrawal of $400 was made in Las Vegas by Ms. Medina without any supporting documentation and was charged to the Salt Lake City School District grant. Based on her representations, the funds were for food and other incidentals related to training; however, we had no way to verify that the funds were used as represented (see Finding No. 4.a).

The disbursements were made without adequate supporting documentation because of inadequate internal controls over approval of payments, no reviews of processed disbursements, and inadequate separation of duties. Disbursements should be approved only when adequate supporting documentation, such as receipts, invoices, etc. is provided and evidences details such as the amount, date, items purchased, etc. Supporting documentation should also include internal documentation such as check requests, purchase orders, coding, approvals, business purpose, etc. Reviews of processed disbursements include detailed reviews of bank statements, general ledgers, check registers, etc. by independent people such as the Board of Trustees. Processed disbursements should be reviewed to help ensure propriety and to help compensate for inadequate separation of duties. Inadequate separation of duties existed because Ms. Raso approved disbursements, had access to blank checks, signed and mailed checks, and had recording access in the general ledger. Inadequate separation of duties exists when the same individual has access to assets (including cash/checks received), access to the accounting records, and authorization and/or reconciling/review responsibilities. When disbursements are made with inadequate supporting documentation, inadequate internal controls over approval of disbursements, no reviews of processed disbursements, and inadequate separation of duties, improper disbursements or misappropriations could be made without detection. In addition, these questionable payments could possibly be considered earnings inured to (benefitting) the individuals, which is prohibited under section 501(c)(3) of the Internal Revenue Code and *Utah Code* 16-6a; therefore, Colors's tax exempt status could be in jeopardy.

Recommendation:

We recommend that Colors establish and implement adequate internal controls, including requiring and maintaining adequate supporting documentation, approvals for all payments, and appropriate reviews. We also recommend that Colors seek reimbursement from Mr. Bourdeaux, Ms. Raso, and Ms. Medina for duplicate payments and other inappropriate disbursements, withdrawals, and charges that cannot be substantiated.

Colors' Response:

a. Mr. Bourdeaux receives an annual Salary approved by the board and documented in board minutes at Colors of Success, Inc. The payments being made are make- up wages and expenses owed to Mr. Bourdeaux per company expenses occurred on his personal credit card. Per your findings this will be reconciled and if no coding error has occurred the company will request a reimbursement for the over payment of the March, May, and July. Color's has implemented an expense report document, which serves to document all expenses for reimbursement per IRS guidelines. The expense report procedure will improve internal controls and minimize errors or oversight.

    1) The W-2 auto allowances will be corrected internally and added to the 2012 W-2 form. The employee has accounted for the taxable income.

    2) The $3800.00 payment was accounted for as income towards Mr. Bourdeaux's annual salary. We believe Ms.Raso was tracking the salary payments.

    3) The $2500.00 disbursement was a cash advance, not a re-imbursement, which the appropriate documentation will be provided and the coding will be corrected. Of the $2500 advance the employee only needed $1500.00 and a personal check was written back to the company. The documentation will show a repayment for $1500 with a payroll

deduction plan. The documentation was provided. The $60.00 gaming system for Xbox live was for an online subscription for the youth at Nettie Center to play on-line.

4) The $5,742.00 was a makeup payment for salary. Both accounts were used for company transactions. Receipts are turned in and Ms. Raso did credit card reconciliation. We will go back and seek receipts for all expenses. The $1110.00 expense will be researched. Part of the $37,265.00 was part of Mr. Bourdeaux salary and expenses over eighteen months.

Per the audit report the board has reviewed and verified the reconciliation of Mr. Bourdeaux's salary and expenses. Going forward Colors will provide either a W2 or a 1099 to report auto expenses for employees.

Refer to bold response above

5) To Ms. Medina's recollection the documents were there when the checks were signed and they were legitimate disbursements. They could have been misplaced.

b. The $12,371 to Ms. Raso and the $4500.00 transactions will be researched and reconciled accordingly. If money is owed, Color's Board will seek reimbursement.

1) The $260.00 was for youth cleaning up the Nettie Center on a Saturday.

2) The loan advances to Ms. Raso outstanding, COS will seek reimbursement. **The new policy does not allow for anymore loan advances to employees.**

3) Colors will research all the disbursements to Ms.Raso and determine if any money is still owed to the company.

4) The $700 dollars charge made to an attorney COS will seek reimbursement from Ms. Raso.

c. The $553 charged on her company card COS will seek reimbursement. The company has cancelled the card and will pay down the debt.

d. **The $400 cash withdraw made for training and charged to SL District was miscoded and should have been charged to the general account. Color's recognizes that cash withdrawals are not a good business practice. The board, for future, reference has established new procedures prohibiting cash withdrawals**.

Recommendation: Colors has revised and implemented internal controls to include separation of duties**.**

- **One person codes the expenses, one person does the billing, one person receives revenue, and one person does payables.**
- **Two signatures on each check, one is a board member and the other is management staff, not including the accountant.**
- **There will be documentation for all payments, and invoices to be approved and properly coded by the executive director before payment.**
- **Any purchases over $1500 will require two signatures one staff, one board member.**
- **Any purchase over $5000 will be approved by the board this includes electronic payments.**

2. AUDIT COSTS IMPROPERLY CHARGED TO FEDERAL GRANT - COLORS

Federal Agency: **Department of Justice**
CFDA Numbers and Titles: **1) 16.726 Juvenile Mentoring Program**
2) 16.544 Youth Gang Prevention
Federal Award Numbers: **1) 2008-JU-FX-0002, 2) 2010-JV-FX-0029**
Questioned Costs: **1) $5,184, 2) $4,990**

Colors improperly included audit costs of $10,174.06 in their federal draw from the U.S. Department of Justice in March 2012. The charges were improper because no audit had been performed and no audit was impending as of November 2012. Colors recorded an expense for audit costs in March 2012, but then subsequently deleted them. The costs were never incurred, so they should not have been recorded in the books. We question the intent of Colors in recording this transaction since the recorded payee was Colors and there appears to have been no contract for an audit. We are concerned that this might be a fraudulent transaction since the expense was never incurred.

Recommendation:

We recommend that Colors only charge appropriate costs to the Federal Government for costs incurred or those expected to be incurred in the immediate future. We also recommend that Colors reimburse these costs.

Colors' Response:

The CEO was negotiating terms with an auditor to conduct an audit for fiscal year 2011-2012. An expense for an audit was not booked. This is an allowable expense on the grants. We will be checking with the Federal agency to determine if we can still use the funds for it's intended purposes.

3. LOANS FROM COLORS TO CFD

We reviewed the period of January 2011 to August 2012 and found that Colors loaned the Center for Family Development ("CFD") $49,724 (10 checks for differing amounts) for which no fees were charged and only $10,000 was paid back. Also, the correct outstanding loan receivable balance is unknown because the loan receivable balances on the books were not properly carried over from the prior fiscal years but rather started with a zero balance at the beginning of each year; therefore, it is unknown if there were additional loans prior to January 2011.

The Colors Board approved giving some sort of loan to CFD as indicated in the March 2009 Board meeting minutes which stated, "[Colors] would assist with the fiduciary responsibility of loaning the Center for Family Development financial resources when needed for payroll." The minutes also stated that a memo would address "specific details of this arrangement" and that CFD would be charged a fee each time a loan was made. However, Colors was not able to provide us with the memo addressing specific details and no fees were charged. In addition, there was no evidence that the loans were for payroll.

Also, the August 2006 Board meeting minutes approved "a loan to [Mr. Bourdeaux] or to CFD to take care of CFD problems." A specific amount was not approved, but the minutes indicated that "the exact dollar amount owed to the IRS" should be determined. At least two Board members indicated to us that loans were made associated with the back taxes owed to the IRS by CFD related to a prior embezzlement by a former employee; however, we were not able to determine that any of the money loaned was used for this purpose.

In addition, neither the Colors Board nor management provided adequate, independent oversight of the loans extended and, in fact, seemed unconcerned with the collection of the loans. Based on discussions with Mr. Bourdeaux, Ms. Raso had the responsibility, as operations director, to ensure the loans were paid back. Ms. Raso had inadequate separation of duties at both entities that increased the risk of fraud and the ability to hide and prevent its detection. She had the ability to write, approve, and record loan checks from Colors to CFD and then receive, deposit, and record those same checks at CFD. She was then responsible to write, approve, and record the checks from CFD to pay back the loans to Colors while again receiving, depositing, and recording these same checks at Colors. Of the 10 loan checks issued by Colors, 5 were signed by only Ms. Raso, 3 were signed by Ms. Raso and Leticia Medina (the Colors executive director), and 2 were signed by Ms. Raso and Mr. Bourdeaux.

We question the Colors Board's decision to issue loans to CFD for the following reasons:

a. The relationship between Colors and CFD is unclear as indicated in the bulleted items on page ii of this report. There was definitely some sort of relationship between the two entities and CFD should have been considered a related party. As such the Colors Board should have exercised more fiduciary responsibility in considering the loans, establishing conditions, and providing oversight as to the amounts extended and collected.

b. Colors did not have adequate financial resources to be extending loans as they had problems meeting their own financial obligations. Their checking account balances were frequently negative. We noted that Colors had an excessively low October 2011 bank balance of -$21,599. For the 12 month time period over which loans were extended, Colors was charged overdraft fees for every month except November 2011. They also occasionally had bounced checks, and we received a complaint that Colors's health insurance had lapsed for nonpayment.

c. The financial stability of CFD and its ability to repay the loans should have been investigated and established as part of the Colors Board's fiduciary responsibilities. Even if CFD's situation was initially misrepresented, they should have ensured that previous loan(s) had been paid back prior to extending more loans.

Given the situation surrounding the loans, we question whether the loans were, in fact, loans since it is questionable whether the amounts were ever intended to be paid back. We also question whether the loans are in compliance with regulations governing tax exempt, nonprofit entities, such as *Utah Code* 16-6a and IRS Section 501(c)(3). If the loans are not in compliance, Colors could lose its tax exempt status.

Recommendation:

We recommend that the Colors Board: a) provide adequate independent oversight over any loans extended and seriously consider the propriety and financial significance of giving loans in the future, b) ensure compliance with federal and state laws, and c) ensure implementation of adequate separation of duties.

Colors' Response:

The Colors of Success Board approved loans to CFD on March 2009. The debt has accrued over the years and the loans to CFD are a major part of the agency debt. Colors of Success holds collateral for the loans; items consist of office equipment and furniture.

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Per Utah Corporation Act, Colors of Success and CFD are clearly defined as two separate entities. The two organizations have filed separate 990's, have no legal binding agreements, and have two separate boards of directors.

4. COSTS IMPROPERLY CHARGED TO GRANTS AND CONTRACTS – COLORS

Certain costs charged by Colors to grants and contracts were improper because the costs were not directly related to specific grants or contracts and benefitted other grants/contracts as well as those charged. In addition, the basis for allocation is not documented and appears arbitrary and could be based on available funding. For example, we noted the following:

a. Expenses of $400 related to training were charged to a contract with Salt Lake City School District when, based on employee representations, all employees attended and all grants/contracts benefitted from the training. (see Finding No. 1.d.)

b. Mr. Bourdeaux's monthly car allowances of $500 were charged to contracts with the Salt Lake City and Ogden School Districts; however, because Mr. Bourdeaux also works on various other grants/contracts, the costs should have been allocated between all applicable grants/contracts.

c. A reimbursement of $1,110 to Mr. Bourdeaux was charged to contracts with the Salt Lake City and Ogden School Districts. Part of this reimbursement included $271 in phone costs for the main office which would have benefitted all grants/contracts, not just the school districts. We could not determine whether other costs included in this reimbursement were directly related to the school districts. Other examples of costs included iphone charges of $250, wireless phone charges of $310, and data charges of $75 (see Finding No. 1.a.6).

d. A reimbursement of $80 to Ms. Raso was made without supporting documentation and was charged to Salt Lake City School District. Because there was no supporting documentation, we could not determine that the charges were proper (see Finding No. 1.b.3).

These costs were improperly charged to these grants/contracts because either Colors did not understand the allocation of costs in relation to grants and contracts or Colors intentionally allocated costs to programs with available funding. As a result, some grants and contracts might have been charged a disproportionate share of costs. These improper charges might have been mitigated if Colors had an indirect cost allocation plan. Indirect cost allocation plans help ensure that indirect costs are fairly allocated to all programs.

Recommendation:

We recommend that Colors charge only directly-related costs to grants and contracts and appropriately allocate other indirect administrative costs based on an indirect cost allocation plan.

Colors' Response:

Car allowance was a 60/40 split between Ogden and SLSD supplemental fee for service contracts. The other grant budgets allowed for mileage reimbursement as direct service. Colors recognize an error was made in how the expenses were allocated and will rectify in future reimbursement allocations.

5. INCOMPLETE AND INACCURATE GENERAL LEDGER – COLORS

Colors' general ledger was incomplete and inaccurate as follows:

a. Deposits as reported on the bank statements did not agree to revenue recorded. For example, revenue from Salt Lake City School District as recorded in the general ledger was high in comparison to that actually deposited in the bank. Another transaction of $3,309 was originally recorded in the general ledger as a deposit, but part of the transaction was then improperly voided from the general ledger. We did not receive a reasonable explanation for the void. To offset the voided transaction, some entries were done that caused miscellaneous expenses to be overstated. This transaction could indicate an attempt to cover up a misappropriation.

b. Of 4 rent payments from CFD to Colors, totaling $6,000, 3 were improperly recorded as a negative rent expense in fiscal year 2011 and one was improperly recorded as miscellaneous income in fiscal year 2012. The payments should have been recorded against the loan receivable balances (see Finding No. 3). These recording errors caused the loans receivables and miscellaneous revenue to be overstated and the rent expense to be understated.

c. Eleven transfers, totaling $92,889, which Colors made between their two bank accounts were improperly recorded through expense accounts or accounts payable. In addition, for those recorded through expense accounts, the entries representing the transfers in and out were not run through the same expense accounts; therefore, the entries did not offset one another. As a result, the corresponding accounts were either over or understated. Transfers between Colors accounts should be recorded as transfers as they are not expenses.

d. Mr. Bourdeaux made a personal loan for $500 to Colors that was improperly recorded as a transfer between bank accounts. It should have been recorded as a payable. In addition, when Colors reimbursed Mr. Bourdeaux for the loan, they improperly recorded the payment as an expense since a payable had never been recorded in the general ledger.

e. Two reimbursements from CFD to Colors, totaling $8,800, were recorded incorrectly. The reimbursements were recorded in different expense accounts than the initial expenses, so the expenses did not properly offset. As a result, the individual expense accounts are incorrect.

f. Two disbursements were not recorded properly. One disbursement for $338 was never recorded, and another for $213 had been recorded initially but had been zeroed out without explanation despite the fact that the associated checks had cleared the bank.

These problems indicate that the general ledger is inaccurate and incomplete.

Recommendation:

We recommend that Colors establish adequate procedures to properly account for financial transactions and provide training to employees to help ensure that the financial records are complete and accurate.

Colors' Response:

Colors of Success, Inc are currently establishing new procedures to properly account for all financial transactions; to ensure all financial records are complete and accurate.

6. IMPROPER BANK RECONCILIATION – COLORS

The May 2012 bank reconciliation was not properly performed. Because of errors noted during our investigation which had not been detected or corrected, we reviewed one of Colors' bank reconciliations to determine whether the reconciliations were being performed properly and completely. We found that the May 2012 bank reconciliation had the following errors:

a. The beginning balance did not agree to the bank statement or the previous month's ending reconciled bank balance.

b. The cleared payments/withdrawals were not accurate by a net amount of $535, as follows: 4 transactions totaling $1,120 were shown as having cleared the bank but had not; 10 transactions totaling $581 had cleared the bank but were not included on the reconciliation; and 4 transactions had been inaccurately cleared by a net amount of $4.

The accountant could not explain the discrepancies. Bank reconciliations are an essential internal control and must be performed accurately to be effective. Inaccurate bank reconciliations indicate either a lack of understanding or an intentional attempt to misrepresent recorded transactions and/or hide unrecorded transactions or misappropriations. Without accurate bank reconciliations, misappropriations could occur without detection.

Recommendation:

We recommend that Colors perform proper and accurate bank reconciliations.

Colors' Response:

In the past multiple people used one login and password; this included operations director, temporary accountants, and administrative assistants. The access to the accounting system has been changed.

New procedures: The accountant has their own secured password, the CEO and executive director have their own secured password that allows them to review and produce reports only. They cannot enter or change any transactions. Colors of Success, Inc will perform proper bank reconciliations adhering to GAAP principles and the board will review and approve reconciliations.

7. SIGNIFICANT CREDIT CARD DEBT - COLORS

As of July 26, 2012, Colors had incurred significant debt and finance charges on the transactions made by Mr. Bourdeaux using the credit cards issued to him by Colors as follows:

a. A balance of $75,339 is outstanding for a cash advance received prior to January 2011. The balance is not decreasing as payments made are approximately equal to finance charges, totaling $6,556 for the 19-month period we reviewed.

b. A balance of $6,770 is outstanding on another card for purchases made prior to January 2011 and one cash advance of $1,000 in February 2011. The balance is slowly declining because payments are approximately double the finance charges, totaling $1,282 for the 19-month period we reviewed.

Colors incurred significant credit card debt, in part, due to mismanagement and a lack of internal controls as is evidenced by the concerns noted in the other findings. This debt could cause Colors serious financial strain and limit its ability to meet financial obligations. In addition, Colors has limited financial resources for paying the debt because federal grant funds prohibit these purposes and other contracts and grants have specific program requirements that would also prevent Colors from receiving funds for these purposes.

Recommendation:

We recommend that Colors determine any financial resources that can be used for debt and finance charges and structure a payment plan to reduce the debt.

Colors' Response:

Colors of Success, Inc have determined what indentified funds can be used to pay down future debt. A debt structure payment plan to pay the Organization credit cards and line of credit will be established by the board. The agency has taken a formal position to not make any future loans. Colors of Success Corporation has a credit line of $75,000.00 some loans were made to CFD approved by the board in March 2009, (see section 3). Previous management team had authority to make bank transfers from the credit lines. There is also an automatic transfer from the credit line to cover expenses. The management team did this, not individually by Mr. Bourdeaux.

CENTER FOR FAMILY DEVELOPMENT

8. IMPROPER OR QUESTIONABLE DISBURSEMENTS AND CHARGES – CFD

While reviewing CFD's bank records for the period of January 1, 2011 to August 15, 2012, we found numerous disbursements and charges that appear to be improper or questionable as follows:

a. Ms. Raso used CFD debit and credit cards for improper and potentially unlawful transactions totaling $63,193. Among these transactions were large cash withdrawals totaling $53,116. Included in this amount is the $16,000 withdrawal which was reportedly used to obtain a cashier's check to send to the IRS for payment on a tax liability (see Finding No. 8.b.). Also included are cash withdrawals of $19,544, which were made on the same day CFD employees were paid with a cashier's check instead of a regular payroll check (see Finding No. 8.g.).

Other debit and credit transactions include questionable expenditures to a debt collection agency, of which the CFD Board was unaware, and charges totaling $6,427 to Walmart, Sam's Club, Fresh Market and Smith's grocery stores, and various restaurants and gas stations. The majority of charges were made at businesses located near Ms. Raso's residence. We determined that $5,861 of the charges occurred after Ms. Raso's employment had terminated. The credit card in Ms. Raso's name had an ending balance as of July 27, 2012 of $2,615.

b. A large cash withdrawal of $16,000 was made in April 2012 by Ms. Raso, which was inappropriate. Good business practices prohibit cash withdrawals. Mr. Bourdeaux represented to us that the cash was used to obtain a cashier's check for the IRS as payment on a tax liability. However, we could not determine that the cash was used for this purpose. In addition, we were unable to verify whether the $16,000 cashier's check was, in fact, sent to and received by the IRS and applied to the tax liability. We also question whether this tax liability is the responsibility of CFD, as IRS documentation indicated a personal responsibility.

c. A credit card for CFD appears to have been obtained unlawfully and used fraudulently. The credit card request, as faxed by Ms. Raso to the bank, was *typewritten* and signed by two CFD Board members requesting a credit card for Ms. Raso. The request also had the name of Leticia Medina, the Colors executive director, *handwritten* on the request. Neither Board member remembers Ms. Medina's name being on the request when they signed it, and one Board member indicated that had Ms. Medina's name been on the request he would have questioned it. Ms. Medina was not aware of the credit card issued in her name until an overdue notice was received at the Colors/CFD offices. Based on this information, we are concerned that Ms. Raso may have added the additional name to the credit card request after it had been signed by the Board members and used the credit card for her own benefit. All charges made on the card consisted of questionable expenditures for restaurants, gas stations, a grocery store, and a dollar store, and the card also had charges of $769 during the month of July 2012, which was after CFD closed down its operations in June 2012. The credit card had an ending balance as of July 27, 2012 of $1,084.

d. We noted 13 disbursements from CFD to Ms. Raso, totaling $6,456, excluding her regular payroll, which had descriptions on the "memo" line of the checks which were vague or blank, making the disbursements questionable as follows: 1) three checks were noted as a "loan" or "employee advance" but gave no other description, 2) one check was noted as a "reissue" but did not reference any other disbursement, 3) one check was noted as a "replacement" but was for $284 more than the original check it was noted as replacing, and 4) the remaining 8 checks were blank on the memo line. In addition, 4 of the 13 checks, totaling $1,591, were returned for non-sufficient funds. Due to the lack of adequate documentation and employee explanations, we were unable to determine the propriety of these checks and whether the loans and employee advances were paid back to CFD.

e. CFD made 12 disbursements to Mr. Bourdeaux, totaling $37,930, excluding his regular payroll from CFD, which all are questionable as follows:

   1) Mr. Bourdeaux claimed that 10 disbursements, totaling $33,090, were for back salary payments. He indicated that he had requested to be paid less than his approved salary in the prior year(s) when funds were tight but would periodically receive additional salary payments as requested to try to make up for the lost salary. We were unable to verify whether this was the case and whether the disbursements were proper because CFD would not provide us with records. We were also not able to determine whether the salary payments were tracked and calculated correctly and whether the payments were properly run through the payroll process with all applicable payroll taxes withheld and remitted to the State and IRS.

   2) According to Mr. Bourdeaux, two disbursements, totaling $4,840, "have not been verified," but he would not elaborate. We are unsure if this means he cannot remember or doesn't want to reveal the reason for the reimbursement, or if he never received the reimbursement. One of the disbursements was a check for $4,751, which is the exact same amount as a loan check from Colors deposited into the CFD account 11 days later (see Finding No. 3). We question why a loan from Colors was necessary to cover the large payment to Mr. Bourdeaux.

f. One deposit into CFD's account, totaling $4,581, was comprised of four checks payable to Mr. Bourdeaux, including a CFD payroll check, a Colors payroll check, and two Colors auto expense reimbursements (see Finding No. 1). The checks were endorsed "For Deposit Only" and listed the bank account number, apparently in Ms. Raso's handwriting. Mr. Bourdeaux indicated that he did not get reimbursed during this period, that this is an error, and that he did not deposit these checks in CFD's account; however, Mr. Bourdeaux did not offer any other explanations. It is unusual and unreasonable that Mr. Bourdeaux would not notice that two of his payroll checks were missing from his personal bank account.

g. In March 2012, CFD paid its employees with cashier's checks instead of regular company payroll checks. When questioned why this was done, Ms. Raso told us she was concerned that the IRS would take the funds in the account (due to the tax liability noted in Finding No. 8.b.), and she wanted to make sure everyone got paid. She assured us that all insurance and tax withholdings were done. However, because we were not able to obtain adequate documentation, we were unable to determine that these checks were properly calculated and that withholdings were properly handled and remitted.

As indicated on page i of this report, Mr. Bourdeaux refused to provide us with any CFD records, and Ms. Raso provided very few records. The minimal amount of records that were provided were mostly non-financial and unrelated to the time period we requested. Therefore, we relied almost solely on bank records we obtained directly. Due to lack of records, we are unable to determine whether CFD had any internal controls such as approval of disbursements. We do know that CFD had no separation of duties, since a) Ms. Raso handled all disbursement procedures, including both generating and approving disbursement checks, b) no one independent of Ms. Raso reviewed processed disbursements, and c) no one performed bank reconciliations. Inadequate separation of duties exists when the same individual has access to assets (including cash/checks received), access to the accounting records, and authorization and/or reconciling/review responsibilities. When payments are made with inadequate supporting documentation, inadequate internal controls over approval of disbursements, no reviews of processed disbursements, and inadequate separation of duties, improper disbursements or misappropriations could be made without detection.

Additionally, as stated in our Findings Summary on page iii of this report, large disbursements and cash withdrawals could potentially be a violation of IRS and Utah non-profit regulations. IRS code related to 501(c)(3) non-profit organizations does not allow for any earnings to inure to (benefit) any private shareholder or individual. The organization may also not engage in an excess benefit transaction with a person having substantial influence over the organization. Also, *Utah Code* 16-6a-1301 states that a non-profit corporation may not make a distribution, except in certain situations.

Recommendation:

No recommendation given to CFD since CFD is no longer in operation, but we are issuing the findings for consideration by Colors or other parties that may be involved or interested.

CFD's Response:

See Attachment B.

9. NO DOCUMENTATION FOR FEDERAL GRANT EXPENDITURES - CFD

Federal Agency: **Department of Justice**
CFDA Number and Title: **16.540 Juvenile Justice and Delinquency Prevention – Allocation to States**
Federal Award Numbers: **2009-JF-FX-0030, 2010-JF-FX-0027, 2011-JF-FX-0021**
Questioned Costs: **$13,589, $48,420, $14,516**
Pass-through Entity: **Utah Commission on Criminal and Juvenile Justice (CCJJ)**

We cannot determine that CFD expenditures related to the Juvenile Justice and Delinquency Prevention grant (referred to as the "Choices grant") were for activities and costs allowable per the grant requirements because CFD did not provide any supporting documentation related to the grant expenditures. Therefore, we have questioned the entire $76,525 in grant expenditures. CFD received the grant funds from the Utah Commission on Criminal and Juvenile Justice (CCJJ).

Recommendation:

No recommendation given to CFD since CFD is no longer in operation; however, we are issuing the findings for consideration by Colors or other parties that may be involved or interested.

We recommend that CCJJ seek reimbursement for the $76,525 in Choices grant expenditures.

CFD's Response:

See Attachment B.

10. SIGNIFICANT CREDIT CARD DEBT - CFD

As of August 2012, CFD had incurred $37,089 in debt from either a cash advance or multiple overdraft advances made prior to January 2011 by Mr. Bourdeaux using a credit card issued to him by CFD. This balance is not decreasing as payments made are less than or equal to the monthly finance, overdraft, and over-limit charges. If Mr. Bourdeaux is only a consultant for CFD, as he claims to be, we are concerned that a consultant for the company is able to incur a significant amount of debt on behalf of the company, which further calls into question Mr. Bourdeaux's role at CFD (see pg. ii of this report).

Recommendation:

No recommendation given to CFD since CFD is no longer in operation, but we are issuing the findings for consideration by Colors or other parties that may be involved or interested.

CFD's Response:

See Attachment B.

COLORS OF SUCCESS and CENTER FOR FAMILY DEVELOPMENT

11. NO FINANCIAL AUDIT

We could find no evidence that CFD has ever received a financial audit, and Colors has not received a complete financial audit since fiscal year 2007. *Utah Code* 51-2a-201 states that "the governing board of an entity whose revenues or expenditures of all funds is $350,000 or more shall cause an audit to be made of its accounts by a competent certified public accountant." *Utah Code* 51-2a-102(f) also requires the audit report for those nonprofit entities which receive 50% or more of their funding from federal, state, or local government contracts to file their annual reports with the Utah State Auditor's Office. CFD and Colors both received greater than $350,000 in revenues and expenditures and 50% or more of their funding from public contracts. Further, the grant contract which both entities had with CCJJ required annual audits. Failure to receive a financial audit violates Utah law and grant contract requirements. We believe the lack of a financial audit also contributed to the poor internal controls and allowed questionable transactions and the financial instability of the entities to continue for years.

Recommendation:

We recommend that Colors receive an annual financial audit in compliance with *Utah Code* and grant contracts.

No recommendation given to CFD since CFD is no longer in operation, but we are issuing the findings for consideration by Colors or other parties that may be involved or interested.

<u>Colors' Response</u>:

Colors does have a draft engagement letter, colors does not have the letter signed. We are in the process of getting our financial audit completed.

<u>CFD's Response</u>:

See Attachment B.

COLORS Of Success, Inc! Turning Kids and Families Around For a Better Future!

Main Office ▪ 2970 South Main ▪ Salt Lake City, Utah ▪ 84115 ▪ 596-9081 ▪ Fax: 596-9085

December 5, 2012

Auston Johnson, CPA
Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Johnson,

Colors of Success, Inc and its board have received the draft audit conducted by your auditors. We appreciate the work your audit team has performed. Thank you for the recommendations, we have already implemented several internal control procedures. Colors of Success, Inc is responding to the items that only relate to Colors. The Colors of Success, Inc board is not responding to any Center for Family Development related findings.

Colors of Success, Inc had a business relationship with the Center for Family Development. The relationship consisted of referring our clients to the agency for treatment services. Center for family Development would refer clients to Colors of Success, Inc for services that we provide in the schools. Colors of Success, Inc had no fiduciary responsibility to the Center for Family Development we assisted them financially to cover their payroll from non-discretionary funds according to Colors of Success, Inc board minutes March 2009. No legal agreements were ever drawn up to bind the two organizations together.

Colors of Success, Inc. and Center for Family Development, Per Utah Corporation Act are clearly defined as two separate entities. The two organizations have filed separate 990s, and have no legal binding agreements, and have two separate boards of directors.

Mr. Bourdeaux became a consultant to Center for Family Development after his resignation in 2006. He was listed as a registered agent, which should have been changed when Brian Morris became the Executive Director. A board member brought this to Mr. Bourdeaux's attention in July of 2012 and it was rectified.

It was brought to Mr. Bourdeaux's attention by Ms. Medina and Ms. Chelsea, when they discovered 2008, 2009, and 2010, 990-tax documents with his name stamped on them for Center for Family Development without his authorization. Ms. Medina was aware that Mr. Bourdeaux was not the executive director for Center for Family Development. These tax documents were provided to Mr. Morris and Ms. Raso to amend for the years they were responsible. Enclosed is a copy of the amended face sheet from Ms. Raso.

Mr. Bourdeaux's name was stamped or scanned on the CCJJ Choices contract without his authorization. He was contacted about concerns by the auditors due to Ms. Raso's lack of response to CCJJ about questions on the billings and reimbursements of the Choices grant.

Enclosed, you will find a statement recounting the errors on Ms. Raso's part placing Mr. Bourdeaux's name on the documents without his authorization. Mr. Bourdeaux is not the Executive Director of Center for Family Development. He was a clinical consultant. He was not an authorized official of Center for Family Development on the Choices project. Mr. Bourdeaux was never reinstated as the Executive Director by the board who is the official oversight body recognized in the Utah Corporations Act.

Enclosed you will find notarized statements from former Center for Family Development board members stating that Mr. Bourdeaux resigned his position as the Executive Director in 2006. Employees and former employees have misrepresented Mr. Bourdeaux's role as being in charge. Ms. Raso made decisions, hired and fired, and made financial decision for Center for Family Development. Ms. Raso was also the Operations Director for Colors of Success, Inc.

Center for Family Development rented office space from Colors of Success, Inc. The two companies had separate wings. Colors of Success administration had the west side of the office space with a wall and a separate entry door to divide the space. Center For Family Development had the east side of the offices with a separate entry. The two companies shared a copy room and a conference room. This helped both companies cut cost.

The Colors of Success, Inc board made a judgment rule to make loans to Center for Family Development to assist with payroll. Our official board minutes do not reflect a fiduciary responsibility for Center for Family Development. There is no legal or binding agreement.

Colors of Success, Inc had two grants, one with Ogden School District and the other with Salt Lake School District. Colors also had two supplemental contracts, which were fee for service with Ogden and Salt Lake District. Mileage was a 60/40 split between the two supplemental contracts. Colors of Success, Inc has had two Federal grants and a fee for service contract with the Department of Corrections.

Sincerely,

Pat Sanders

Pat Sanders, Board President
Colors of Success Board of Trustees

Client's Copy Amended Return

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

► The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2009

Open to Public Inspection

For the 2009 calendar year, or tax year beginning 7/01 **, 2009, and ending** 6/30 **, 2010**

B Check if applicable:
- [X] Address change
- [ ] Name change
- [ ] Initial return
- [ ] Termination
- [X] Amended return
- [ ] Application pending

Please use IRS label or print or type. See specific Instructions.

C
CENTER FOR FAMILY DEVELOPMENT
2970 S. MAIN ST.
SALT LAKE CITY, UT 84115

D Employer Identification Number: [redacted]

E Telephone number: 801-596-9081

G Gross receipts $ 468,844.

F Name and address of principal officer: Same As C Above

H(a) Is this a group return for affiliates? [ ] Yes [X] No
H(b) Are all affiliates included? [ ] Yes [ ] No
If 'No,' attach a list. (see instructions)

I Tax-exempt status [X] 501(c) (3) ◄ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ► N/A

H(c) Group exemption number ►

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ►

L Year of Formation: 1996 **M** State of legal domicile: UT

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: Assist individuals and families with sexual misconduct.

2 Check this box ► [ ] if the organization discontinued its operations or disposed of more than 25% of its assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	6
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	5
5	Total number of employees (Part V, line 2a)	5	28
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total gross unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	381,490.	468,844.
	9	Program service revenue (Part VIII, line 2g)	87,354.	
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12	Total revenue – add lines 8 through 11 (must equal Part VIII, column (A), line 12)	468,844.	468,844.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14	Benefits paid to or for members (Part IX, column (A), line 4)		
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	540,133.	424,082.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		
	b	Total fundraising expenses (Part IX, column (D), line 25) ►		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	86,074.	156,805.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	626,207.	580,887.
	19	Revenue less expenses. Subtract line 18 from line 12	-157,363.	-112,043.

			Beginning of Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	151,387.	3,989.
	21	Total liabilities (Part X, line 26)	-128,894.	-155,896.
	22	Net assets or fund balances. Subtract line 21 from line 20	280,281.	159,885.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

► Marcia Raso — Date: 10-26-10
Signature of officer — Date

► MARCIA RASO — OPERATIONS MANAGER
Type or print name and title.

Paid Preparer's Use Only

Preparer's signature ► J.MICHAEL BURKE JMB — Date: 10/26/10 — Check if self-employed ► [ ] — Preparer's identifying number (see instructions): N/A

Firm's name (or yours if self-employed), address, and ZIP + 4 ► Burke and Associates, 491 West 5300 South, Salt Lake City, UT 84123 — EIN ► N/A — Phone no. ► (801) 262-2233

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

Client's Copy Amended Return

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

► The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 7/01, 2010, and ending 6/30, 2011

B Check if applicable:
- [ ] Address change
- [ ] Name change
- [ ] Initial return
- [ ] Terminated
- [X] Amended return
- [ ] Application pending

C CENTER FOR FAMILY DEVELOPMENT
2970 S. MAIN ST.
SALT LAKE CITY, UT 84115

D Employer Identification Number [redacted]

E Telephone number 801-596-9081

G Gross receipts $ 533,956.

F Name and address of principal officer: Same As C Above

H(a) Is this a group return for affiliates? [ ] Yes [X] No
H(b) Are all affiliates included? [ ] Yes [ ] No
If 'No,' attach a list. (see instructions)

I Tax-exempt status [X] 501(c)(3) [ ] 501(c) ( )◄ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ► N/A

H(c) Group exemption number ►

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ►

L Year of Formation: 1996

M State of legal domicile: UT

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: Assist individuals and families with sexual misconduct.

2 Check this box ► [ ] if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	6
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	5
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	0
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	468,844.	533,956.
	9	Program service revenue (Part VIII, line 2g)		
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12	Total revenue — add lines 8 through 11 (must equal Part VIII, column (A), line 12)	468,844.	533,956.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14	Benefits paid to or for members (Part IX, column (A), line 4)		
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	424,082.	418,466.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		1,172.
	b	Total fundraising expenses (Part IX, column (D), line 25) ►		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	156,805.	105,684.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	580,887.	525,322.
	19	Revenue less expenses. Subtract line 18 from line 12	-112,043.	8,634.
			Beginning of Current Year	**End of Year**
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	3,989.	112,230.
	21	Total liabilities (Part X, line 26)	-155,896.	-56,289.
	22	Net assets or fund balances. Subtract line 21 from line 20	159,885.	168,519.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

► Marcia Raso — Signature of officer — Date 10-4-11

► MARCIA RASO OPERATIONS MANAGER
Type or print name and title.

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check [X] if self-employed	PTIN
J.MICHAEL BURKE	J.MICHAEL BURKE JMB	10/4/11		N/A

Firm's name ► Burke and Associates
Firm's address ► 491 West 5300 South
Salt Lake City, UT 84123
Firm's EIN ► N/A
Phone no. (801) 262-2233

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

This is a true and accurate statement by Marcia Raso in reference to the Choices Grant received by Center For Family Development. Award date: October 1, 2008.

On two separate occasions when preparing the Choices grant for submission to CCJJ I made an error by listing Duane Bourdeaux as Executive Director of Center For Family Development. This was an oversight on my part and an error as Mr. Bourdeaux is NOT the Executive Director of Center For Family Development. I erroneously placed Mr. Bourdeaux's name in the authorized official area of the grant by scanning in his signature which was not authorized by Mr. Bourdeaux. The second error was made in a similar fashion as I stamped Mr. Bourdeaux's name as an authorized official with the program. I stamped his name in the Certified Assurances section of the grant. This error was made in haste and has resulted in Mr. Bourdeaux receiving correspondence from your offices which has caused him unnecessary stress.

As Operations Director of Center For Family Development I am the person who should be listed as the authorized official on the grant and the person who should have signed the Certified Assurances for both years in question.

I am fully responsible for this matter and I would like to have the grant amended to reflect my name as the authorized party.

Signed by: Marcia Raso

Marcia Raso, Operations Director

Date: August 24, 2012

Statement of Michael B. Gavura

I took over as facility manager for Utah Business Development Alliance (UBDA) early February, 2006. The building had leased space to several tenants, one of which was Center for Family Development (CFD). At that time, Duane Bourdeaux was Executive Director CFD.

Later that summer, Duane informed me that he had resigned as Executive Director and would be staying on as a program consultant and the Executive Director was Brian Morris and future rents and payments would go through Brian. From that point on, Brian would receive the invoices for rents and pay the rent.

In 2009, I was asked to volunteer as a member of the Board of Directors for CFD. Shortly after joining the board, Brian Morris resigned and the Executive Director and the Board approved the appointment of Marcia Raso to the Operations Director position. I resigned from the board on July of last year, 2011, and Ms. Raso was still Operations Director at the time of my resignation.

It has been clear to me that, since late summer of 2006 until my resignation in July of 2011, Duane Bourdeaux was not Executive Director of CFD and had no control of the operations and finance of CFD.

Michael Gavura

30 F Street

801-637-4478

State of Utah County of Salt Lake
Subscribed and sworn before me on 11/23/12
(Date)
Austin Arquette
(Notary Signature)

Austin Arquette
Notary Public
State of Utah
My Commission Expires April 18, 2016
Commission #655213

STATEMENT OF MICHAEL GAVURA

As a member of the Board of Directors of Center for Family Development, I had knowledge that Duane Bourdeaux's salary was to be $60.000.00 per year. The $37,930.00 referred to in your audit letter, was payments towards his salary and had been accounted for in an audit review by Bernie Litvin and me.

I also know that there was a question about a $16,000.00 withdrawal, from the business account, and paid to U.S. Treasury for and old 2006 tax debt. I have reviewed the accounting, seen the copy of the Cashiers Check and the receipt of the IRS account transcript.

As I have stated in a previous statement, Mr. Bourdeaux resigned as Executive Director in 2006 and Brian Morris became Executive Director. When I joined the board in 2009, Marsha Raso was the Operations Director and in charge of daily operations until the agency closed its doors.

State of Utah County of Salt Lake
Subscribed and sworn before me on Dec-3-16
(Date)

(Notary Signature)

NOTARY PUBLIC
FRANCISCO JESUS RIVERA
656357
COMMISSION EXPIRES
MAY 27, 2016
STATE OF UTAH

December 3, 2012

I Bernie Litvin am writing that Mr. Bourdeaux resigned as the Executive Director of the agency back in 2006. At that time Mr. Brian Morris was hired to take over the agency. Ms. Raso was the Operations Director. When Mr. Morris resigned Ms. Raso handled the day to day operations.

The $37,930.00 for salary and expenses and the$16,000.00 payment to the United States Treasury for back taxes owed by Center for Family Development for 2006 was accounted for. The $53,930.00 was verified and appropriate agency expenditures.

Sincerely,

Bernie Litvin

Former Board Member

Center for Family Development

SANDRA FERNANDEZ
Notary Public
State of Utah
Comm. No. 603463
My Comm. Expires Nov 19, 2014

State of Utah
County of Salt Lake.
Signed and sworn before me on this
3rd day of December 2012 by Benard H Litvin.

Notary Public
My Commission Expires: 11/19/2014.
Residing at: Taylorsville UT

James Gonzales
The Target Group
4055 South 700 East Suite 104
Salt Lake City, Utah 84107

November 29, 2012

To whom it may concern,

In 2006 Duane Bourdeaux resigned as Executive Director and was retained as a clinical consultant to the organization.

At that time financial arrangements were made that provided Duane's salary as Executive Director was 60,000.00 annually. As a consultant to the organization, his compensation remained the same. He loaned the organization money which was to be repaid on a schedule developed by staff.

Marcia Raso was tasked with development of a repayment schedule.

In March of 2009 I discontinued my participation on the board to pursue other opportunities.

Sincerely

James Gonzales
Former Board Member
Center for Family Development

THE GREAT SEAL OF THE STATE OF UTAH 1896
Notary Public
CAROLE A. FONTENOT
Commission #605651
My Commission Expires
February 10, 2015
State of Utah

November 23, 2012

To Whom IT May Concern,

I Fred Peake am acknowledging that Duane Bourdeaux resigned from his Executive Director position with Center for Family Development on August 7, 2006. Brian Morris was hired as the Executive Director and Marcia Raso was the Operations Director. After Mr. Morris resigned in August the daily Operations was being ran by Marcia Raso. Mr. Duane Bourdeaux was hired as an Executive Clinical consultant to the Center with no management or oversight authority of employees or daily operations.

Sincerely,

Fred Peake

State of Utah County of Salt Lake
Subscribed and sworn before me on November 23, 2012
(Date)
Mary Jo Howard
(Notary Signature)
Mary Jo Howard

NOTARY PUBLIC
MARY JO HOWARD
579006
COMMISSION EXPIRES
MAY 13, 2013
STATE OF UTAH

December 12, 2012

Auston Johnson, CPA
Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Johnson,

Dear Mr. Johnson,

Center for Family Development is closed, as former board members we felt it is important to respond to items noted in the Colors of Success, Inc audit. We would like this statement to be part of the management letter.

Statement of Michael Gavura

As a member of the Board of Directors of Center for Family Development, I had knowledge that Duane Bourdeaux's salary was to be $60,000.00 per year. The $37,930.00 referred to in your audit letter, was represented to me as payments toward his salary.

We are aware there was a question about $16,000.000 withdrawal from the business account, by Ms. Raso and paid to US Treasury for an old CFD 2006 tax debt. We have reviewed the accounting, we have seen the copy of the cashiers check, and the receipt of the IRS account transcript.

As stated in a previous statement, Mr. Bourdeaux resigned as Executive Director in 2006. Brian Morris became Executive Director and Marcia Raso was the operations director and continued to handle the daily operations. Mr. Morris resigned in 2009 and Ms. Raso continued operations until the agency closed its doors.

Enclosed are statements from CFD board members stating that Mr. Bourdeaux had resigned from CFD in 2006. Mr. Bourdeaux told me he did not have oversight authority of Ms. Raso at CFD.

Sincerely,

Michael Gavura, Former Board Member
Center for Family Development

December 4, 2012

Auston Johnson, CPA
Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Johnson,

The following statement is my personal response, as an individual not on behalf of Center for Family Development. I would like this statement included in the management letter.

It was stated in the audit report that I did not cooperate with the auditors regarding CFD financial records. I want to state that as a consultant I did not have the authority to respond to any official business of CFD. This needed to be handled by the Operations Director and I referred the matter to Ms. Raso. Moreover, I continued to answer calls from the auditor. I assisted them in trying to get in touch with Ms. Raso.

In this report the audit staff talked with a past and present employee's about who is in charge at CFD, the report talks about my involvement on a couple of contracts in which I was asked by the Operations director to assist in my role as clinical consultant on the Department of corrections contract due to my relationship with the Department of Corrections.

I assisted the agency as a consultant. I was not in charge of meetings or hiring and firing of staff. I will provide documentation of my resignation as Executive Director of CFD; this took place in August 2006. I will also provide documentation of Ms. Raso stating she is in charge of daily Operations of CFD since 2009 when Mr. Brian Morris resigned. Ms. Raso made all financial decisions. I did not have any management oversight or authority at CFD; my only role was to provide clinical consulting services.

Ms. Medina and Ms. Chelsea came upon some 990-tax documents with my name stamped on them for CFD. They brought it to my attention. Ms. Medina who has been with Colors of Success and was part of a management meeting back in 2006 where I informed the team of my decision to resign as the Executive Director of CFD. I did not authorize any one to sign my name especially at CFD when I was not in charge or have authority. These tax documents were provided to Mr. Morris and Ms Raso to amend for the years they were responsible. Enclosed is a copy of the amended face sheet from Ms. Raso.

My name was stamped and scanned on the CCJJ Choices contract without authorization. I was contacted by CCJJ with concerns about the Choices grant. Ms. Raso provided the financial statements; Mr. Boyce was the project director who reported to Ms. Raso for the Choices grant. Enclosed you will find a document stating the error of Ms. Raso. One other contract was mentioned with an RFP being submitted to CCJJ where my name appears as the Executive Director, which should had Ms. Raso name on the document or the clinical Director name as the lead. I was never reinstated as the Executive Director by the board who is the official oversight body recognized in the Utah Corporation act.

Sincerely,

Duane Bourdeaux
Clinical Consultant

August 7, 2006

Board of Trustees
Center For Family Development
1747 South 900 West, Suite 200
Salt Lake City, Utah 84104

Respected Members of the Board:

Effective immediately, I, Duane Bourdeaux resign my position as Executive Director of Center For Family Development. I appreciate the opportunity that has been afforded to me but I feel that the time has come for me to move on. Thank you for your support over the years and in my current decision.

Sincerely,

Duane Bourdeaux

Annette J. Christensen

Annette J. Christensen

MICHAEL GAYLORD

AGREEMENT

This Agreement is entered into on this 25th day of August, 2006, by and between, Duane Bourdeaux, an individual, and, Center for Family Development, a corporation.

In consideration of the mutual promises set forth hereunder, the sufficiency of which is hereby acknowledged, Bourdeaux and Center for Family Development agree to the following:

Bourdeaux has made a personal decision to resign as Executive Director of Center for Family Development. Bourdeaux agrees to assist the Board of Directors in sharing all proprietary information, turning over all records and contracts, disclosing all financial information, and will make himself available to answer any questions as the need arises.

In consideration for Bourdeaux's further assistance, Center for Family Development agrees to reinstate Bourdeaux, as Executive Director, immediately following Bordeaux's written request.

If any part of this Agreement is held unenforceable for any reason, the remaining portion of this Agreement shall remain in full force and effect, and shall be carried out in a manner which is consistent with the intentions of the parties hereto.

If any legal action or proceeding, including any arbitration of disputes, arising out of, or relating to, this General Contract is brought by either party, the prevailing party as determined by the Court or 'Arbitrator, shall be entitled to receive from the non-prevailing party, in addition to any other relief that may be granted, reasonable attorney's fees, costs and expenses incurred in the action or proceeding by the prevailing party.

This Agreement is entered into on this 5th day of September, 2006, in the City of Salt Lake City, the County of Salt Lake, and State of Utah.

Duane Bourdeaux

Center for Family Development, a Utah corporation

by: Annette J. Christensen

its: Board President

Center For Family Development
2970 South Main Street, Suite 300
Salt Lake City, Utah 84115
801.466.8353
801.466.2615

August 31, 2010

To Whom It May Concern:

Brian Morris served as the Executive Director of Center For Family Development from August 2006 until August 2010. As of August 2010 he has resigned his position as Executive Director of Center For Family Development. Since his resignation, as Operations Director I have the responsibility of day to day operations of the agency, staff supervision, administering payroll and accounting functions, and administering checks for financial payments.

Marcia Raso

Marcia Raso, Operations Director
Center For Family Development

STATE OF UTAH
Office of the State Auditor
UTAH STATE CAPITOL COMPLEX
EAST OFFICE BUILDING, SUITE E310
P.O. BOX 142310
SALT LAKE CITY, UTAH 84114-2310
(801) 538-1025
FAX (801) 538-1383

Auston G. Johnson, CPA
UTAH STATE AUDITOR

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
Van H. Christensen, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

AUDITOR'S CONCLUDING REMARK

REGARDING RESPONSES FROM COLORS OF SUCCESS
AND THE CENTER FOR FAMILY DEVELOPMENT

Responses from Colors of Success (Colors) and the Center for Family Development (CFD) do not adequately address our audit findings. Some responses misrepresent certain situations while others are irrelevant. In addition, the responses include statements that repeatedly point out that Mr. Bourdeaux was no longer the executive director of CFD; however, we do not dispute that fact. Our point is that he was the registered agent until CFD closed; therefore, he was responsible. Also, both Mr. Bourdeaux and Ms. Raso appear to have benefitted personally from various transactions with CFD and Colors. Our findings and recommendations remain serious concerns.