



Chesterfield County, Virginia Internal Audit

9901 Lori Road, Room 142 – P.O. Box 40 – Chesterfield, VA 23832
Phone: (804) 748-1240 – Fax: (804) 768-9346 – Internet: chesterfield.gov

GREGORY L. AKERS
Director

DATE: December 30, 2019

TO: Joseph P. Casey, Ph.D. Chesterfield County
County Administrator Board of Supervisors

Mervin B. Daugherty, Ed.D. Chesterfield County
School Superintendent School Board

FROM: Greg L. Akers 
Director of Internal Audit

SUBJECT: Community Organizations Applying for FY21 Donations

BACKGROUND

Chesterfield County's Board of Supervisors annually consider requests for financial assistance from not-for-profit organizations that provide services to the residents of Chesterfield County. Funding request applications must be submitted to the Budget and Management Department each fall for the upcoming budget year. After staff's review of the applications, the County Administrator presents funding recommendations to the Board of Supervisors in March as part of his proposed budget.

OBJECTIVES, SCOPE, AND METHODOLOGY

Organizations applying for \$10,000 and above are required to provide their most recent audited financial statements. Budget and Management requested Internal Audit's technical assistance in evaluating financial statements from FY21 applicants requesting \$25,000 or more that were not evaluated by us in the prior year. We evaluated 24 applicants for FY20 funding in our [report dated December 12, 2018](#).

We performed a technical evaluation of audited financial statements submitted by these applicants, as provided by Budget and Management. Our evaluation included consideration of the audit opinion, reported findings, and disclosures to identify potential concerns, and confirmation that the financial statements submitted belong to the applicant. An independent auditor's opinion regarding the financial statements as a whole may be either unmodified or modified. An unmodified opinion indicates the financial statements present fairly, in all material respects, the financial position in accordance with generally accepted accounting principles. There are three types of modified opinions: qualified, adverse, and disclaimer of opinion. In each case, the reason for such modification is described in the

auditor's report. We understand management is using this information as general reference for their evaluation of FY21 funding requests.

For applicants not providing audited financial statements, we evaluated what they provided (e.g., unaudited financial statements, IRS Form 990, or CPA Review Engagement Report). These financial documents do not provide the same level of assurance as audited financial statements.

We believe our analysis provides an objective summary of financial reports provided to Internal Audit for evaluation. However, this evaluation does not constitute an audit conducted in accordance with generally accepted government auditing standards (GAGAS).

RESULTS SUMMARY

As of December 5, 2019, Budget and Management provided two applicants' financial statements for evaluation. Evaluation detail by applicant is listed on page three and noted:

- Unmodified CPA opinion (one applicant)
- Audited financial statements not provided (one applicant)
- Concentration risk disclosure, significant portion of support from limited number of donors/grantors (one applicant)

FINDING(S):

The FY21 Community Agency Funding Application requires organizations applying for \$10,000 and above to provide their most recent audited financial statements. However, this requirement was waived for one applicant, Chesterfield Cultural Arts Foundation, per a verbal understanding that the organization will provide audited financial statements when they are fully operational.

ACTION(S) TAKEN:

Upon our inquiry, Budget and Management requested the organization submit their 2019 Form 990 when available and their 2018 Form 990 in the interim (received December 10, 2019). Additionally, Budget and Management filed a copy of related email communications with this organization and County management to document the temporary waiver. Such actions resolved the finding.

We appreciate Budget and Management's assistance during this project. Should you have any questions, or if we can be of further assistance, please call Lora Holland or me at extension 1240.

Copy: Matt Harris, Deputy County Administrator, Finance and Administration
Sarah Snead, Deputy County Administrator, Human Services
Allan Carmody, Finance Director
Gerard Durkin, Principal Budget Analyst
Natalie Spillman, Principal Budget Analyst
Joann Romero, Budget Analyst
Joni Robinson, Automation Analyst

No.	Organization Name	FY2021 Request	FY2020 Budget	Financial Statement Period	Unmodified Audit Opinion by CPA [Y/N]	Audit Findings (financial report page no.) [Y/N]	Potential Concerns/ Further Details
1	Chesterfield Cultural Arts Foundation	\$85,000	\$42,500	Not Provided	Not Provided	Not Provided	<p>Financial statements with a formal audit opinion by a CPA were not provided. Instead they submitted unaudited financial statements for the period of January through October 2019 and noted on their FY2021 application that the County waived the audited financial statements requirement for them.</p> <p>There was no supporting documentation on-file for this waiver, but rather a verbal understanding with the organization that audited financial statements will not be provided until they are fully operational (anticipate opening for business in Fall of 2020). Budget and Management has requested they submit their 2019 Form 990 when available and their 2018 Form 990 in the interim (received 12/10/2019).</p>
2	Partnership for the Future	\$30,000	-	12/31/2018	Y	N	Financial Statements Note 1 (p. 11) discloses a concentration risk disclosure due to 68% of their contributions receivable coming from one contributor and 41% of total support from two contributors.