



## Chesterfield County, Virginia Internal Audit

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**DATE:** April 1, 2020

**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:** Khara L. Durden, CPA, CISA, CFE  
Director of Internal Audit

**SUBJECT:** Volunteer Fire and Rescue Organization Audit Reports Submitted in CY19

### BACKGROUND

The Department of Fire and EMS's (Fire & EMS) budget includes annual operating expense reimbursements totaling \$4,000 and \$20,000 for each organized volunteer fire department and volunteer rescue squad, respectively. Fire & EMS's Finance Procedure #01 – Annual Financial Audit Report for Volunteer Fire & EMS Departments requires the organizations provide an annual audit report within nine months of their fiscal year end. Funding is released contingent upon organizations' procedure compliance. The procedure also states Fire and EMS Department will monitor volunteer fire department and rescue squad policy compliance, and Chesterfield County Internal Audit Department will provide technical expertise with understanding and evaluating the volunteer organizations' audit reports received by Fire & EMS.

### OBJECTIVES, SCOPE, AND METHODOLOGY

Attached is a list of organizations that submitted annual audit reports during calendar year 2019 and that Fire & EMS provided to us for evaluation. We performed a technical evaluation of these reports and emailed results to Fire & EMS throughout the year, upon notification that such reports were received.

Our evaluation included consideration of the audit opinion, reported findings, and disclosures to identify potential concerns. 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 (or other comprehensive basis of accounting, as applicable and disclosed in the auditor's report). There are three types of modified opinions: qualified, adverse, and disclaimer of opinion. In each case, the reason for such a modification is described in the auditor's report. We understand management is using this information as general reference for their financial monitoring of these organizations. 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

Fire & EMS provided four reports received from four volunteer fire and rescue organizations in calendar year 2019 for evaluation. Evaluation detail by organization is provided beginning on page three and noted:

- Unmodified CPA opinion (3 organizations).
- Modified CPA opinion, no controls over receipts prior to accounting entry (1 organization).
- Provided report was not for the most recently completed fiscal year (2 organizations).
- Concentration risk, significant support from limited number of sources (2 organizations).

We appreciate Fire & EMS's assistance during this project. Should you have any questions, or further assistance, please call Lora Holland or me at extension 1240.

Copy: Edward "Loy" Senter, Jr., Fire Chief  
James E. Fitch, II, Assistant Fire Chief  
Sherry Dunbar, Financial Manager, Fire & EMS

#	Organization Name	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Evaluation Provided to Fire & EMS <sup>1</sup>	Potential Concerns/ Further Details
<b>VOLUNTEER FIRE DEPARTMENTS:</b>					
1	Bon Air	6/30/2018	Y	9/26/2019	<p><b>Required FY18 report was not provided timely</b> (i.e., within 9 months of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 6/30/2018 financial statements from a CPA.</p> <p>There were no audit findings, but the financial statements Note 3 (p. 7) discloses concentration risk due to most of their support coming from responses to an annual solicitation by mail. "No solicitation mailing was conducted in 2018."</p>
2	Phillips	<b>12/31/2016</b>	<b>N (Modified Opinion)</b>	7/23/2019	<p><b>Required FY18 and FY17 reports were not provided and FY16 report was not provided timely</b> (i.e., within 9 months of their fiscal year end).</p> <p>Just as in prior years, the CPA rendered a modified opinion due to the following: "No accounting controls are exercised over cash receipts prior to the initial entry in the accounting records. Accordingly, it was not practicable for us to audit cash receipts."</p>

#	Organization Name	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Evaluation Provided to Fire & EMS <sup>1</sup>	Potential Concerns/ Further Details
<b>VOLUNTEER RESCUE SQUADS:</b>					
1	Bensley Bermuda	12/31/2017	Y	7/23/2019	<p><b>Required FY18 report was not provided and FY17 report was not provided timely</b> (i.e., within 9 months of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 12/31/2017 financial statements from a CPA.</p> <p>There were no audit findings, but the financial statements Note E (p. 10) discloses concentration risk due to 65% of support and revenue coming from a memorandum of understanding with Chesterfield Fire &amp; EMS and Chesterfield County. "The receivables from this memorandum were \$21,482 as of December 31, 2017."</p>
2	Ettrick-Matoaca	12/31/2018	Y	10/9/2019	

Footnote(s):

<sup>1</sup>Upon notification of volunteer fire and rescue organization audit reports received, Internal Audit evaluated the reports and emailed results to Fire & EMS.