



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

DATE: December 18, 2020

TO: Joseph P. Casey, Ph.D.
County Administrator

Chesterfield County
Board of Supervisors

Mervin B. Daugherty, Ed.D.
School Superintendent

Chesterfield County
School Board

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

[Signature of Khara L. Durden]

SUBJECT: Community Organizations Applying for FY22 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 FY22 applicants requesting \$25,000 or more that were not evaluated by us in the prior year. We evaluated 2 applicants for FY21 funding in our report dated December 30, 2019.

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 FY22 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 November 25, 2020, Budget and Management provided 23 applicants' financial statements for evaluation. Evaluation detail by applicant is listed on page three and noted:

- Unmodified CPA opinion (21 applicants)
- Modified CPA opinion, timing prevented inventory observation (1 applicant)
- Audited financial statements not provided (1 applicant, CPA review report)
- Required 2019 or more current report not provided (3 applicants)
- Going concern disclosure (1 applicant)
- Significant deficiencies in internal controls and compliance findings (2 applicants)
- Deficit disclosure for restricted endowment funds (1 applicant)
- COVID-19 global pandemic impact disclosure (5 applicants)
- Concentration risk, significant support from limited number of sources (8 applicants)

We appreciate Budget and Management's assistance during this project. Please contact us if you have any questions, or if we can be of further assistance.

Copy: Matt Harris, Deputy County Administrator, Finance and Administration  
James D. Worsley, Deputy County Administrator, Human Services  
Gerard Durkin, Acting Director of Budget and Management  
Kae Longnaker, Senior Customer Service Representative

#	Organization Name	FY22 Request	FY21 Budget	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Audit Findings (financial report page #) [Y/N]	Potential Concerns/ Further Details
1	Capital Region Workforce Partnership (department of the Henrico County government)	\$43,600	\$45,400	6/30/2019	Y	N	
2	CARITAS	\$35,000	\$20,000	6/30/2019	Y	N	There were no audit findings, but financial statements Note 2 (p. 18) discloses concentration risk due to 43% of their unconditional promises to give coming from one donor.
3	CCHASM (Chesterfield - Colonial Heights Alliance for Social Ministry)	\$30,000	\$12,500	6/30/2019	Y	N	
4	Chesterfield CASA	\$30,000	\$10,000	6/30/2019	Y	N	
5	Chesterfield Food Bank	\$65,000	\$25,000	12/31/2017	N	N	<b>Required 2019 or more current report was not provided.</b> They received a modified opinion on their 12/31/2017 financial statements due to the CPA being unable to determine whether any adjustments to the beginning inventory amounts were necessary. Since the CPA had not been engaged as auditors, they did not observe the physical inventory counts at the beginning of the year.
6	Children's Museum of Richmond	\$46,500	\$46,500	6/30/2019	Y	N	

#	Organization Name	FY22 Request	FY21 Budget	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Audit Findings (financial report page #) [Y/N]	Potential Concerns/ Further Details
7	Community Brain Injury Services: The Mill House	\$50,000	\$50,000	<b>Not Provided</b>	<b>Not Provided</b>	<b>Not Provided</b>	<p><b>Financial statements with a formal audit opinion by a CPA were not provided.</b> Instead they submitted a CPA's review engagement<sup>1</sup> report for the year ended 6/30/2020.</p> <p>Financial statements Note 1 (p. 9) discloses concentration risk due to the substantial majority of their revenues and support coming from an annually renewable contract with the Virginia Department of Aging and Rehabilitative Services (DARS). "The Agency is financially dependent on this source of revenue to conduct its program services. The current contract with DARS was renewed on June 30, 2020, for a period of one year."</p> <p>Also, financial statements Note 12 (p. 19) discloses uncertainty due to the COVID-19 global pandemic. "Specific impacts . . . include temporary closure of its clubhouse programs from April 2020 through June 2020, and beneficiaries of the Agency's direct assistance have been severely impacted by these issues which could adversely impact the Agency's operations." The Agency received a \$137,500 Paycheck Protection Program (PPP) loan from the Small Business Administration in May 2020 and believes it will meet the loan forgiveness criteria by December 2020.</p>
8	DRIVE SMART Virginia	\$48,000	-	<b>9/30/2017</b>	Y	N	<p><b>Required 2019 or more current report was not provided.</b> However, they received a CLEAN/unmodified opinion on their 9/30/2017 financial statements from a CPA.</p> <p>There were no audit findings, but the financial statements Note 16 (p. 15) discloses concentration risk due to a majority of its revenues coming from state and federal grants and contributions. "The Organization relies on the continued receipt of grants and contributions to provide program services."</p>

#	Organization Name	FY22 Request	FY21 Budget	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Audit Findings (financial report page #) [Y/N]	Potential Concerns/ Further Details
9	First Tee - Greater Richmond (Richmond First Tee)	\$25,000	\$20,000	12/31/2019	Y	N	There were no audit findings, but financial statements Note 2 (p. 12) provides a concentration risk disclosure due to 100% of grant and 44% of contribution revenues coming from two contributors and 78% of their net pledges receivable from three contributors.  Also, financial statements Note 12 (p. 18) discloses a subsequent event due to the COVID-19 global pandemic. "The ultimate impact of COVID-19 on the Organization's financial statements is unknown at this time."
10	The Healing Place (program of CARITAS)	\$35,000	\$10,000	6/30/2019	Y	N	<b>See above evaluation for CARITAS.</b>
11	John Tyler Community College (part of Virginia Community College System)	\$67,002	\$66,500	6/30/2019	Y	<b>Y (APA's Internal Controls and Compliance Report Dated 7/14/2020 — p. 17-20)</b>	Significant deficiencies in internal controls and compliance were noted for findings in the following areas:  (1) Capital assets recordation, inventory process, and reconciliation; (2) Bank account reconciliation and year-end balance reporting; (3) Federal aid reconciliation; and (4) State purchasing system user access ( <i>repeat prior finding</i> ).
12	John Tyler Community College Foundation	\$25,000	\$20,000	6/30/2019	Y	N	
13	Maymont Foundation	\$60,000	\$57,500	6/30/2019	Y	N	There were no audit findings, but financial statements Note 14 (p. 22) discloses concentration risk due to 81% of their pledges receivable coming from three donors.

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14	The McShin Foundation	\$91,250	-	6/30/2020	Y	N	There were no audit findings, but financial statements Note 18 (p. 21) discloses the COVID-19 global pandemic impact. "The full impact . . . continues to evolve as of the date of this report. The Foundation remained open during the pandemic. The Foundation received \$112,800 in PPP funds and \$160,000 in SBA funds, including an Economic Injury Disaster Loan (EIDL) of \$149,900 . . . to help pay its employees and other operating expenses during the pandemic. The Foundation intends to apply for forgiveness of the PPP loan funds."
15	Richmond Region Tourism	\$1,280,745	\$1,257,600	6/30/2020	Y	N	There were no audit findings, but financial statements Note J (p. 16) discloses the COVID-19 global pandemic impact. "The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Bureau's combined financial condition, liquidity, and future results of operations."

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16	Richmond Symphony	\$125,000	\$82,000	6/30/2020	Y	N	<p>There were no audit findings, but financial statements Notes 1 and 8 (p. 7 and 18) disclose the COVID-19 global pandemic impact. "As a result, all events after March 2020 were either postponed or canceled and as of the date of issuance, event activity within the Symphony has not returned to prior levels. The ultimate impact of COVID-19 on the future financial state of the Symphony and the Foundation is unknown at this time. The Symphony applied for and was approved for a PPP [Payroll Protection Program] Loan in the amount of \$818,500. The Symphony has not yet submitted its application for forgiveness, but management believes the entire PPP Loan will be fully forgiven."</p> <p>Also, financial statements Note 12 (p. 22) discloses funds with deficits. "From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA [Uniform Prudent Management of Institutional Funds Act] require the Foundation to retain as a fund of perpetual duration. These deficiencies result from a cumulative excess of spending over revenue or decreases in the market value of the Foundation's investments. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions . . . [and totaled \$2,416,798 at June 30, 2020]."</p>
17	SAFE (Substance Abuse Free Environment)	\$25,000	\$17,500	6/30/2019	Y	N	<p>There were no audit findings, but financial statements Note 7 (p. 12) discloses concentration risk due to 6% and 37% of their total support and revenue coming from in-kind contributions of facilities use by one business and state grant funds, respectively.</p>
18	Senior Connections, The Capital Area Agency on Aging	\$53,000	\$10,000	9/30/2019	Y	N	<p>There were no audit findings, but financial statements Note 8 (p. 17) discloses a concentration risk due to 59% of their revenue coming from the federal government.</p>

#	Organization Name	FY22 Request	FY21 Budget	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Audit Findings (financial report page #) [Y/N]	Potential Concerns/ Further Details
19	Swift Creek Mill Theatre	\$25,000	\$22,500	6/30/2019	Y	N	<p>There were no audit findings, but financial statements Note 2 (p. 8) discloses concentration risk due to 27% of their total revenue and support, which included forgiveness of debt, coming from one donor.</p> <p>Further, financial statements Note 9 (p. 12) discloses a going concern. "The Theatre has experienced increase in its net assets of \$178,230 for the nine-month period ended June 30, 2019. However, when the loan forgiveness is factored out, the change in net assets . . . would have been (\$83,402). At June 30, 2019, the Theatre had a deficit in net assets of \$1,019,067 and a working capital deficit of (\$160,994). These conditions create an uncertainty about the Theatre's ability to meet its obligations as they become due. To alleviate these concerns, Management and the Board of Directors are actively seeking grants and other external support and exploring ways to reduce operational expenses. The financial statements do not include any adjustments that might be necessary should the Theatre be unable to continue as a going concern."</p>
20	SwimRVA	\$68,693	\$40,000	7/31/2019	Y	N	
21	Virginia Repertory Theatre	\$80,000	-	6/30/2019	Y	N	



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22	Virginia State University	\$35,000	-	6/30/2018	Y	<b>Y</b> <b>(APA's Internal Controls and Compliance Report Dated 6/20/2019 — p. 1-11)</b>	<b>Required 2019 or more current report was not provided.</b> While they received a CLEAN/unmodified opinion on their 6/30/2018 financial statements from a CPA, significant deficiencies in internal controls and compliance were noted for findings in the following areas:  <ul style="list-style-type: none"> <li>(1) Virtual private network security (<i>repeat prior finding</i>);</li> <li>(2) User access controls (<i>partial repeat prior finding</i>);</li> <li>(3) Emergency and sole source procurement documentation (<i>repeat prior finding</i>);</li> <li>(4) Accounts payable accrual procedures;</li> <li>(5) Capital asset controls;</li> <li>(6) Special pay monitoring controls;</li> <li>(7) Employment eligibility procedures;</li> <li>(8) Payroll and human resource reconciliations;</li> <li>(9) Stagnate grants and contributions review procedures;</li> <li>(10) IT asset surplus process;</li> <li>(11) National Student Loan Data System reporting; and</li> <li>(12) Common Origination and Disbursement System reporting.</li> </ul>
23	YWCA Richmond	\$40,000	\$30,000	6/30/2019	Y	N	

**Footnote(s):**

<sup>1</sup> A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, the account does not express such an opinion. The objective of the accountant when performing a review of financial statements is to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework. (Source: Statements on Standards for Accounting and Review Services No. 21)