



Chesterfield County, Virginia Internal Audit

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GREGORY L. AKERS
Director

DATE: December 28, 2018

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 FY20 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. Our report dated December 27, 2017 evaluated FY19 funding applicants that were not evaluated in the prior year. For the current year, management agreed raising our evaluation threshold from \$10,000 (used since FY2000) to applicants requesting \$25,000 or more that were not evaluated in the prior year.

We performed a technical evaluation of financial statements submitted by these applicants provided by Budget and Management. 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. There are 3 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 FY2020 funding requests.

We believe our analysis provides an objective summary of financial reports provided to Internal Audit for evaluation. However, as required by Government Auditing Standards (2011 Revision) section 2.12 issued by the U.S. Government Accountability Office, we must communicate this evaluation does not constitute an audit conducted in accordance with generally accepted government auditing standards (GAGAS).

Results Summary

Per Budget and Management's log of FY2020 funding applications, there are 47 community organizations applying with 25 requesting \$25,000 or more. We evaluated 1 of these in the prior year, leaving 24 to evaluate this year. Evaluation detail by applicant is provided beginning on page 4 and noted:

- Unmodified CPA opinion (20 applicants, including 1 special-purpose financial report)
- Modified CPA opinion, timing prevented inventory observation (1 applicant)
- Audited financial statements not provided (3 applicants, including 1 draft report)
- Going concern disclosure (1 applicant)
- Significant deficiency in internal controls and compliance finding (1 applicant)
- Deficit disclosure for unrestricted endowment funds (1 applicant)
- Concentration risk disclosure, significant portion of support from limited number of donors/grantors (7 applicants)

Finding(s): The FY2020 Community Agency Funding Application requires organizations applying for \$10,000 and above to provide their most recent audited financial statements. However, the application checklist financial statement date reference (FY2016), that prompts an explanation if a current report is not provided, was not updated from the prior year.

RECOMMENDATION(S):

1. We recommend Budget and Management annually update the required audited financial statements date reference (i.e., FY2018 for FY2021 applications) that prompts an explanation for why a current report is not provided.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Automation Specialist, Joni Robinson is responsible for implementing September 30, 2019. She will make the recommended updates for the FY2021 application cycle.*

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
Allan Carmody, Finance Director
Meghan Coates, Budget and Management Director
Natalie Spillman, Budget Manager
Joni Robinson, Automation Analyst

No.	Organization/ Project Name	FY2020 Request	FY2019 Budget	Financial Statement Period	Unmodified Audit Opinion by CPA [Y/N]	Audit Findings (financial report page no.) [Y/N]	Potential Concerns/ Further Details
1	Capital Region Workforce Partnership (department of the Henrico County government)	\$46,000	\$46,400	6/30/2018	Y	N	
2	CARITAS	\$35,000	\$20,000	6/30/2017	Y	N	Financial statements Note 2 (p. 17) discloses a concentration risk due to 38% of their unconditional promises to give and 32% of contributions coming from one and two donors, respectively.
3	CCHASM (Chesterfield-Colonial Heights Alliance for Social Ministry)	\$30,000	\$12,500	6/30/2017	Y	N	
4	Chesterfield CASA	\$25,000	\$10,000	6/30/2018	Y	N	
5	Chesterfield Food Bank	\$50,000	\$15,000	12/31/2017	N (Modified Opinion)	N	The CPA rendered a modified opinion due to them 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	\$46,600	6/30/2017	Y	N	
7	Community Brain Injury Services	\$50,000	\$50,000	6/30/2018	N (CPA Review Engagement¹ — Clean Opinion)	N	Financial statements Note 1 (p. 9) discloses a 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, 2018, for a period of one year."

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8	First Tee Chesterfield (facility of Richmond First Tee/The First Tee of Greater Richmond)	\$30,000	\$20,000	12/31/2017	Y	N	Financial statements Note 2 (p. 9) discloses a concentration risk due to 89% of their contributions receivable coming from three contributors, 84% of grants from two contributors, 27% of general contributions and grants from two contributors, and 42% of tournament revenue from one contributor.
9	The Healing Place (program of CARITAS)	\$35,000	\$0	6/30/2017	Y	N	See above evaluation for CARITAS.
10	John Tyler Community College (part of Virginia Community College System)	\$64,704	\$40,000	6/30/2017	Y	Y (APA's Internal Controls and Compliance Report Dated 7/16/2018 — p. 43 & 46-48)	A significant deficiency in internal controls and compliance was noted for a repeat prior federal audit finding related to compliance over enrollment reporting for student financial aid.
11	John Tyler Community College Foundation	\$25,000	\$20,000	6/30/2017	Y	N	
12	Maymont Foundation	\$60,000	\$57,500	6/30/2018	Y	N	Financial statements Note 13 (p. 23) discloses a concentration risk due to 89% of their pledges receivable coming from three donors.
13	McShin Foundation	\$100,000	\$0	Not Provided	Not Provided	Not Provided	Financial statements with a formal audit opinion by a CPA were not provided. Instead they submitted their Form 990 for tax year ending 6/30/2018, an annual information return required to be filed with the IRS that includes reporting on the organization's finances.
14	Petersburg Area Regional Tourism (part of the Crater Planning District Commission)	\$100,000	\$100,000	DRAFT 6/30/2018	DRAFT Y	DRAFT N	Organization did not provide their most recent audited financial statements with their application. A DRAFT FY18 financial report was provided for our analysis.
15	Richmond Region Tourism	\$1,230,802	\$1,150,700	6/30/2018	Y	N	

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16	Richmond Symphony	\$125,000	\$82,000	6/30/2017	Y	N	Financial statements Note 11 (p. 17) 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] requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from a decrease in the market value of the Foundation's investments. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled \$1,634,565 at June 30, 2017."
17	SAFE (Substance Abuse Free Environment)	\$25,000	\$17,500	6/30/2017	Y	N	Financial statements Note 7 (p. 12) discloses a concentration risk due to 6% and 45% of their total support and revenue coming from in-kind contributions of facilities use by one business and state grant funds, respectively.
18	Senior Connections	\$53,000	\$10,000	9/30/2017	Y	N	Financial statements Note 4 (p. 12) discloses a concentration risk disclosure due to 60% of their revenue coming from the federal government.
19	Swift Creek Mill Theatre	\$35,000	\$22,500	9/30/2017	Y	N	Financial statements Note 9 (p. 9) discloses a going concern. "The Theatre has experienced decreases in its net assets of \$190,095 and \$297,745 for the years ended September 30, 2017 and 2016, respectively, and at September 30, 2017 had a deficit in net assets of \$1,414,718 and a working capital deficit of \$344,555. 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 activity 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."

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20	SwimRVA	\$103,693	\$20,000	7/31/2017	Y	N	<p>Financial statements Note 7 (p. 13-14) discloses a concentration risk due to more than 10% of gross pledges receivable coming from one donor and more than 10% of total revenue coming from one customer that defaulted on their long-term lease agreement with the organization.</p> <p>Further, Note 11 (p. 15) discloses a subsequent event for this customer terminating its lease agreement effective August 1, 2017, and management estimates a consequential \$250,000 revenue loss for the next fiscal year. However, management does not believe this event will cause them to be unable to meet their obligations.</p>
21	Virginia Local Initiatives Support Corporation (office of Local Initiatives Support Corporation)	\$64,976	\$0	12/31/2016	Y (CPA Audited Special-Purpose Financial Statements)	N	<p>The Auditor's Report (p. 1) is on special-purpose financial statements prepared in accordance with financial reporting provisions of the Loan or Special-Purpose Report Agreements between the Organization and certain lenders. Report use is restricted to parties knowledgeable of the Loan or Special-Purpose Report Agreements. Such parties do not include Chesterfield County.</p> <p>Note 1 (p. 6) discloses the special-purpose financial statements are not intended to present financial position in conformity with U.S. GAAP, and that consolidated financial statements were expected to be issued by June 30, 2017. The organization did not provide audited consolidated financial statements with their funding application.</p>
22	Virginia State University Foundation	\$40,000	\$25,000	6/30/2018	Y	N	
23	YMCA of Greater Richmond	\$50,000	\$22,000	12/31/2017	Y	N	
24	YWCA Richmond	\$75,000	\$30,000	6/30/2017	Y	N	

Footnote(s):

¹A review engagement 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 accountant 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)