

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). Should you have any questions, or if we can be of further assistance, please call Lora Holland at extension 1240.

RESULTS SUMMARY

Community Enhancement provided 14 financial reports received in calendar year 2018 for evaluation; 9 from organizations previously awarded funds and 5 from new applicants being considered for FY2020 funding. Evaluation detail by organization is provided beginning on page 4 and noted:

- Unmodified CPA opinion (12 entities)
- Audited financial statements not provided (2 entities, review and limited scope engagements)
- Provided report was not for the most recently completed fiscal year (4 entities)
- CDBG funding excluded from Organization's audited financial statements (1 entity)
- Concentration risk, significant support from limited number of donors/grantors (5 entities)

FINDING(S):

The RFP for CDBG and HOME Funds Application requires applicants to submit their "most recent annual audit report." The application omits additional audit report guidance that is provided in funding award contracts, as well as in Community Agency Funding Applications, to:

- Define how current the audit report should be and request an explanation if a current report is not provided.
- Request federal compliance audit reporting.

The County's contracts with CDBG and HOME organizations require organizations to provide an annual audit report within 90 days of their fiscal year (FY) end that complies with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, Subpart F. We evaluated audit reports for 9 contracted organizations:

- None met the County's 90-day deadline, with most taking 4 months to complete. The County's deadline is more stringent than the Federal "9-month" requirement (*Title 2 CFR §200.512*).
- Federal compliance audit reporting was not included in 6 reports. It is difficult to determine from financial statements alone if the threshold requiring federal compliance audit applied.
- CDBG funding was excluded from 1 contracted organization's audit report, Communities in Schools of Chesterfield (CIS). The report notes Chesterfield County Public Schools (CCPS) administered their \$25,000 grant, which is not in the CIS financial statements.



RECOMMENDATION(S):

We recommend Community Enhancement:

1. Include audit report guidance on the *RFP for CDBG and HOME Funds Application* to:
 - a. Define how current the audit report should be (i.e. at least fiscal year 20##) and request an explanation if an older report is provided.
 - b. Require audit reports comply with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, Subpart F.
2. Require CDBG & HOME applicants and awardees that do not provide a federal compliance audit report certify their federal grant expenditures were below the audit threshold (*Title 2 CFR Part 200, Subpart F*).
3. Consult with HUD and other County departments to consider changing the County’s CDBG & HOME contract “90-day” annual audit report submission requirement to align with the Federal “9-month” deadline (*Title 2 CFR §200.512*).
4. Require Communities in Schools provide audited financial statements annually that include their awarded CDBG funds.

MANAGEMENT’S RESPONSE(S):

1. a. *Concur. CDBG and HOME Grants Administrator, Kathleen Thompson is responsible for implementing 10/31/2019. Staff will ensure this item is implemented at the start of next CDBG/HOME Grant RFP Process.*
b. *Concur. CDBG and HOME Grants Administrator, Kathleen Thompson is responsible for implementing 10/31/2019. Staff will ensure this item is implemented at the start of next CDBG/HOME Grant RFP Process.*
2. *Concur. CDBG and HOME Grants Administrator, Kathleen Thompson is responsible for implementing 10/31/2019. Staff will work with Internal Audit to ensure the appropriate language is included in subrecipient grant agreements as well as the FY 21 (and subsequent) RFP application.*
3. *Concur. CDBG and HOME Grants Administrator, Kathleen Thompson is responsible for implementing 6/30/2019. Staff will consult with HUD to consider this change within subrecipient grant agreements for next fiscal year.*
4. *Concur. CDBG and HOME Grants Administrator, Kathleen Thompson is responsible for implementing 7/31/2019. Staff will ensure that the appropriate language to reflect this provision is included in CIS’s executed grant agreement for next fiscal year (if awarded funds).*

Copy: Bill Dupler, Deputy County Administrator for Community Development
Daniel Cohen, Community Enhancement Director
Kathleen Thompson, CDBG and HOME Grants Administrator

#	Organization/ Project Name	FY2020 Request	FY2019 Budget	FY2018 Budget	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Federal Compliance Audit ¹ [Y/N]	Audit Findings (financial report page #) [Y/N]	Potential Concerns/ Further Details
PREVIOUS AWARDS:									
1	Better Housing Coalition	\$385,000	\$230,000	\$35,000	12/31/2017	Y	N/A ²	N	
2	BizWorks Enterprise Center	\$0	\$0	\$125,000	6/30/2017	Y	N/A ²	N	Required FY18 report was not provided; we did evaluate the submitted FY17 report. Financial statements Note 4 (p. 7) discloses concentration risk due to 61% of revenue coming from Chesterfield County through CDBG.
3	CARITAS ⁴	\$107,000	\$143,000	\$0	6/30/2018	Y	N/A ²	N	Financial statements Note 2 (p. 17) discloses concentration risk due to 39% of unconditional promises to give and 16% of contributions coming from one donor.
4	Communities in Schools of Chesterfield	\$40,000	\$25,000	\$25,000	6/30/2016	Y	N/A ²	N	Required FY17 and FY18 reports were not provided; we did evaluate the submitted FY16 report. CDBG funding was excluded from the audit report. Financial statements Note D (p. 10) discloses CCPS administered their \$25,000 grant, which is not in the CIS financial statements. In addition, Note D describes CCPS provided \$552,000 of CIS' salaries and benefits and office facilities valued at \$104,040 for FY16. The combined \$656,040 is 40% of total FY16 expenses.

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PREVIOUS AWARDS:									
5	ElderHomes Corporation (project: HOMES)	\$1,169,640	\$823,089	\$627,892	6/30/2018	Y	Y	N	
6	Housing Opportunities Made Equal of Virginia	\$269,000	\$84,925	\$59,500	6/30/2018	Y	Y	N	Financial statements Note 2 (p. 9) discloses concentration risk due to 100% of contributions receivable and 45% of revenue and support coming from one contributor. Further, Note 6 (p. 13) discloses 21% of support came from government sources and "any significant reduction in the level of this support would have a corresponding effect on the Organization's ability to maintain its current programs and services."
7	Jefferson Davis Association	\$0	\$25,000	\$25,000	6/30/2018	Y (CPA Audited CDBG Fund Activity)	N/A ²	N	The Auditor's Report (p. 1) only covered the income and expenses pertaining to their CDBG Fund activity. Their financial statements were not formally presented or audited.
8	Richmond Metropolitan Habitat for Humanity	\$99,000	\$99,000	\$99,000	6/30/2018	Y	N/A ²	N	
9	St. Joseph's Villa	\$45,000	\$0	\$40,000	6/30/2017	Y	Y	N	Required FY18 report was not provided. The organization's financial report was the same as previously provided and evaluated in our prior report dated 3/30/2018.

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NEW APPLICANTS:									
1	Baptist General Association of Virginia	\$50,000	\$0	\$0	12/31/2017	Y	N/A ²	N	
2	Center for Healthy Hearts (formerly known as Richmond Area High Blood Pressure Center)	\$296,044	\$0	\$0	12/31/2017	N (CPA Review Engagement³ — Clean Opinion)	N/A ²	N	
3	Local Initiatives Support Corporation ⁴	\$64,976	\$0	\$0	12/31/2017	Y	Y	N	Financial statements Note 4 (p. 22) discloses concentration risk due to 13% of contribution receivable and 29% of contribution revenue coming from one and five donors, respectively. Further, Note 5 (p. 22) discloses that 49% of government grants and contracts receivable and 40% of government grants and contracts revenue were from one government agency.
4	Presbyterian Homes & Family Services (HumanKind)	\$15,000	\$0	\$0	12/31/2017	Y	Y	N	
5	Virginia Poverty Law Center	\$76,668	\$0	\$0	6/30/2017	Y	Y	N	Provided report was not for the most recently completed fiscal year.

Footnote(s):

¹Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the compliance audit requirements for organizations expending \$750,000 or more in Federal financial assistance.

²Organization is not subject to a Uniform Guidance audit per either confirmation from the organization or review of financial statements showing the Federal financial assistance audit threshold was not met.

³A 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)

⁴Organization was also evaluated in our recently issued Community Organizations Applying for FY20 Donations report dated 12/28/2018.